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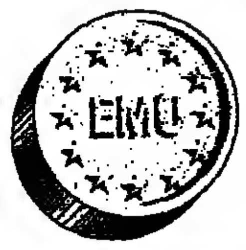

Frankfurt v London

Competing for the lead in the Emu age

Preparing for Emu, Page 2

World Business Newspaper http://www.FT.com TUESDAY SEPTEMBER 2 1997

Hong Kong stocks slide in wake of currency crisis

A big fall in Hong Kong's stock market added to fears that the fallout from the south-east Asian currency crisis was creating a vicious circle of selling pressure in the territory. The benchmark Hang Seng index lost 5 per cent of its value in afternoon trading, taking losses on the index to almost 15 per cent in the past three trading days and wiping out gains for the year. Selling pressure partly reflects moves by international investors to cut exposure in south-east Asia and also stems from fears that south-east Asia's regional currency crisis will spread to the territory. Page 16; Philippine bank lending rates forced higher, Page 6; The real lesson from Asia; Page 15; World stocks, Page 32

Russian economy 'on brink of growth'

After nearly a decade of decline, the Russian economy is on the brink of growth, prime minister Victor Chernomyrdin (left) predicted. "In August the consumer price index basically did not change and the fall in gross domestic product ended," he said. His comments follow six years of turbulent economic reforms and nearly a decade of steady economic contraction. Page 2

Promodès bids for rivals: French supermarket group Promodès launched a FFr28bn ($4.5bn) takeover bid for its rivals Casino and Rallye, triggering the start of a new round of restructuring in the country's retailing sector. Page 17; Lex, Page 16

Israel eases border restrictions: Israel began to ease the closures it imposed on the West Bank and Gaza after the double-suicide bombing at a Jerusalem market in July. Page 4

Schlumberger plans Russian move: Franco-American oil services group Schlumberger is to make a big push into Russia after losing money in an earlier expansion into the country. Page 17

FCC may reopen auction of licences: The US Federal Communications Commission may reopen an auction of wireless telephone licences that had promised to raise $10bn. Page 16 and Lex

Frontline launches hostile bid: Bermuda-based shipping company Frontline plans to create one of the world's leading tanker fleets by launching a SKr3.12bn ($397m) hostile takeover bid for Swedish rival ICB Shipping. Page 17

Mexico acts against apple imports: Mexico imposed anti-dumping duties on two varieties of US apples the government claims have been flooding the market. Page 3

Mobil's Japanese arm cuts staff: Mobil Sekiyu, wholly owned Japanese subsidiary of US oil group Mobil, is to cut its staff by 30 per cent. The Japanese oil industry has seen sharp profit falls since liberalisation last year. Page 17

Korean banks tighten rescue rules: The presidents of 35 South Korean banks agreed that companies seeking bankruptcy shelter must give up management control and their unions must agree to job and pay cuts. Page 6

China set for Jardine bank stake: Ka Wah Bank, Hong Kong financial arm of China's investment vehicle Citic, is set to take a stake in Jardine Fleming Bank, part of Hong Kong-based Jardine Fleming group. Page 17

Indonesia curbs speculation: Indonesia's forward foreign exchange market dried up as banks tried to gauge the impact of a new limit on forward currency speculation by foreigners. The rupiah fell to a low of 2,960 to the dollar, before recovering slightly. Page 6

Nepal granted land link to Bangladesh: Bangladesh opened its land border to traders from Nepal. The move came after India granted Nepal a route through its territory to Bangladesh. Page 3

ScottishTelecom plans joint venture: Communications group ScottishTelecom is to merge its mobile services division with the Scottish operations of Martin Dawes Telecommunications, Europe's largest independent service provider. Page 21; Picture, Page 17

Sega plans games for Hanoi: Japanese games company Sega and trading company Sumitomo have linked up with a government-controlled Vietnamese company to build a games arcade in Hanoi'a Lenin Park. Page 3

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■ STOCK MARKET INDICES		
FTSE 100:	4,870.2	(+52.7)
Yield	3.40	
FTSE Eurotop 300	833.08	(+15.49)
FTSE All-Share	2,288.80	(+0.8%)
Nikkei	17,974.3	(-255.12)
■ LONDON MONEY		
3-mo Interbank	7 7/32%	(7 1/4%)
Liffe long gilt future:	Sep 114 3/2	(Sp114 1/2)
■ NORTH SEA OIL (Argus)		
Brent Dated	$18.16 1/2	(18.22)

■ GOLD		
London	$324.55	(324.75)
■ STERLING		
London:		
$	1.6128	(1.6218)
DM	2.9213	(2.9195)
FFr	9.8325	(9.8371)
SFr	2.4058	(2.4069)
Y	194.941	(195.086)
£ Index	102.1	(102.2)
Tokyo close Y 120.75		

The New York markets were closed yesterday

Diana driver over drink limit

Chauffeur had three times the permitted legal level

By Liam Halligan, Andrew Jack and Jimmy Burns

The driver of the car in which Princess Diana was killed had more than three times the legal level of alcohol in his bloodstream, the Paris prosecutor's office said yesterday.

The driver, named as Henri Paul, 41, died alongside the princess and her companion, Harrods heir Dodi Fayed, when their 1996 S-280 Mercedes crashed in a tunnel near the Seine early on Sunday.

Mr Paul had 175 milligrams of alcohol per 100 millilitres of blood. The French legal limit is 50 milligrams. "This meant that he would have drunk the equivalent of at least a bottle of wine," said the Royal Automobile Club, the British road rescue organisation.

The revelation came as Buckingham Palace announced a service for Diana in Westminster Abbey on Saturday following a procession through central London. The princess's remains will then be taken to the Spencer seat at Althorp in Northamptonshire and interred in the family vault next to those of her father.

Amid outpourings of national and international grief, it became apparent that normal life in Britain would come to a standstill for the 11am service. The government said that considerable logistic difficulties would be overcome to make "the people's funeral" an occasion of genuine pageantry.

"The prime minister [Tony Blair] is clear that he wants a major national event," said a spokesman. "Buckingham Palace is clearly of this thinking too." Palace authorities - whom the princess accused of undermining her during her 15-year marriage to Charles, the Prince of Wales – said it would be "a unique funeral for a unique person".

US President Bill Clinton and French President Jacques Chirac are expected to be among the 2,000 invited guests at the Westminister service. Mr Clinton yesterday expressed his condolences to Mr Blair in a 20-minute telephone conversation. Pope John Paul II also passed on his condolences to the Queen. "Deeply saddened at the news of the tragic death of Diana, Princess of Wales, the Holy Father has offered prayers commending her to our Heavenly Father's eternal love," the Vatican said in an open letter to Cardinal Basil Hume, the Roman Catholic Archbishop of Westminster.

Across Europe, politicians called for a re-examination of France's already tough privacy laws in the wake of concern that the pursuit of Diana's car by paparazzi photographers on motorcycles was a contributory factor in her death. The UK's Press Complaints Commission became the first body to respond to calls for curbs on paparazzi, with its chairman, Lord Wakeham, launching an urgent review.

His move came as it emerged that German and French authorities were also contemplating fresh action to prevent a similar tragedy. The French government called for a code of good conduct by the press, while Mr Pierre Mauroy, the country's former socialist

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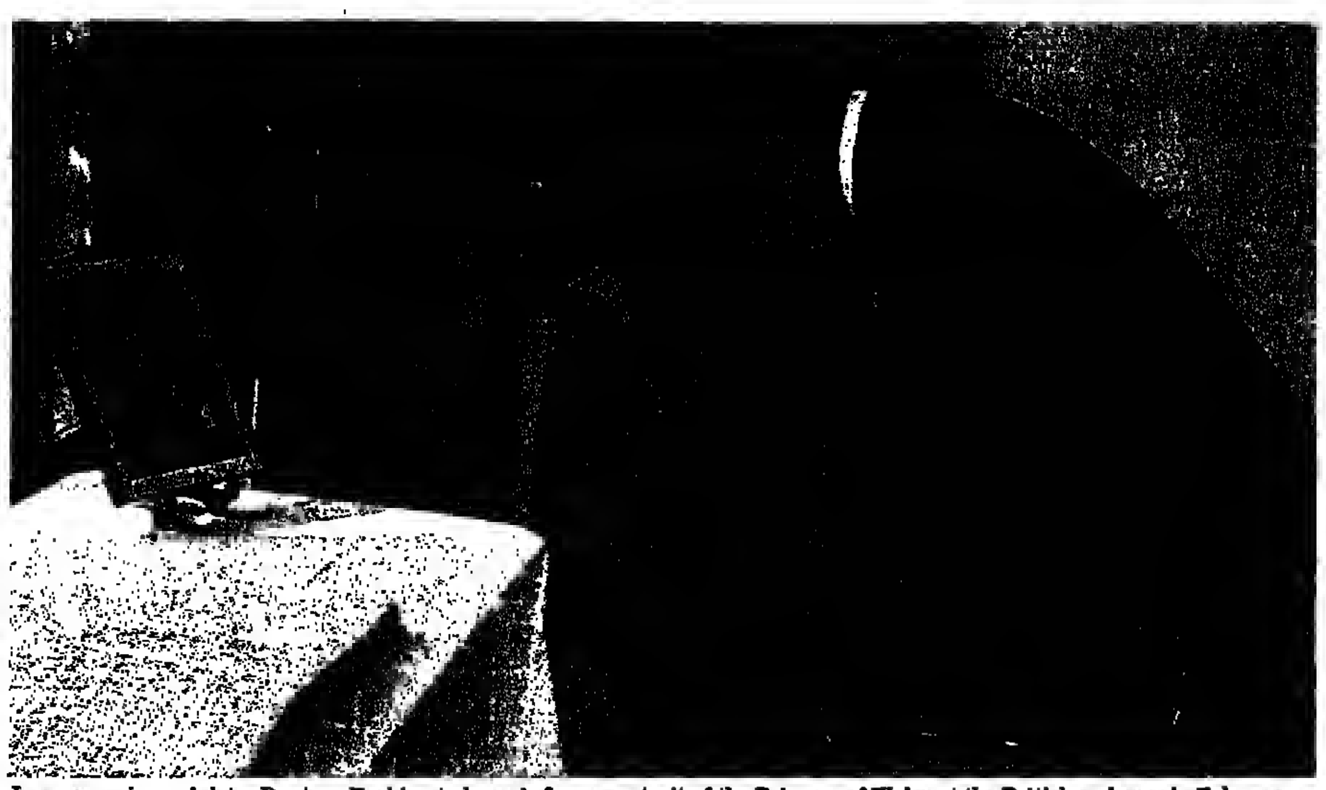
Privacy law, Page 14



Japanese prime minister Ryutaro Hashimoto bows before a portrait of the Princess of Wales at the British embassy in Tokyo Reuters

Landmines ban urged at Oslo conference

By Tim Burt in Stockholm

Delegates from more than 100 countries were yesterday urged to unite behind a worldwide ban on anti-personnel mines, fulfilling one of the last campaigns supported by Diana, Princess of Wales, before her death at the weekend.

The Oslo diplomatic conference on landmines, opening under the auspices of the Norwegian government, was told the princess had given fresh impetus to the drive for an international treaty outlawing the weapons.

The first day of the three-week conference was launched with a minute's silence in memory of Diana. "She demonstrated her deep concern for the millions of innocent victims," said Bjorn Tore Godal, Norwegian minister of foreign affairs. "We shall spare no effort at this conference to achieve the goals she had set for herself."

Conference officials warned, however, that hopes of securing a multilateral treaty could be jeopardised by a series of amendments, proposed by countries – including the US – with reservations about a total ban.

The US, which only joined the Canadian-sponsored "Ottawa Process" last month, is expected to argue that some parts of the world should be excluded from the treaty, particularly the line between North and South Korea.

"The Washington delegation maintains that South Korea cannot be defended without anti-personnel mines," said one conference organiser.

Others reluctant to endorse a worldwide ban are thought to include Russia, which has yet to join the Ottawa Process and has only observer status at the conference, a number of south-east Asian countries and Turkish-occupied northern Cyprus. Obstacles to a treaty prohibiting the use,

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US unit repels Serb mob with tear gas

Karadzic supporters are suspected

By Guy Dinmore in Belgrade

Crowds of Serbs hurled stones yesterday at US troops guarding an important television transmitter in north-east Bosnia, the latest focus of a power struggle between the western-backed Bosnian Serb president, Biljana Plavsic, and supporters of her hardline nationalist predecessor.

Major Chris Riley, spokesman for the Nato-led stabilisation force, Sfor, said the American unit had used tear gas after being attacked by a mob of about 250 people armed with sticks and stones near Bijeljina. There were no immediate reports of casualties. Robert Gelbard, the US special envoy to Bosnia, warned the hardliners last weekend of the "most serious imaginable" consequences if they persisted in blocking implementation of the US-mediated Dayton peace accord that ended the 1992-95 Bosnian war. Mr Gelbard accused Gojko Klickovic, the Bosnian Serb prime minister, and other hardliners of inciting mobs to attack Nato forces.

Sfor officials suggested the crowd had been organised by supporters of Radovan Karadzic, the ex-Bosnian Serb president indicted for war crimes, who wields power covertly from his base in Pale, eastern Bosnia. The officials said some people in the crowd used walkie-talkies and some had been bussed in from outside.

US soldiers took up positions outside the locked compound housing the Udrigovo transmitter last Thursday, the day pro-Karadzic mobs attacked Nato soldiers in nearby Brcko. The transmitter covers north-east Bosnia and parts of neighbouring Serbia.

"We're outside the transmitter to prevent clashes between rival factions," Major Riley said. Since Thursday, US troops have disarmed 25 Karadzic supporters and sent away Serb Radio and Television (SRT) employees who said they were on the side of Mrs Plavsic.

Mrs Plavsic, in the north-west town of Banja Luka, controls SRT transmitters and police stations in northern Bosnia and is trying to extend her authority eastwards. She accuses Mr Karadzic and his faction of corruption.

The Serb-controlled half of Bosnia, known as Republika Srpska, has split in two. The Pale-based government under Mr Klickovic has cut off ties with Mrs Plavsic.

Nato warned last week it would use force against SRT, the only broadcast media to reach all Bosnian Serbs, if it continued to issue inflammatory propaganda against Sfor.

Shell plans 80% stake in $2bn Indian power project

Joint venture for terminal to import liquid natural gas

By Stefan Wagstyl, industrial editor

Royal Dutch/Shell, the Anglo-Dutch oil group, plans to take an 80 per cent stake in a $2bn power generation project in India. The project would be one of the largest foreign investments in the country since it launched an economic liberalisation programme in 1991.

The power project is to be developed jointly with Essar Group, an Indian industrial concern controlled by the Ruia family.

India suffers from chronic shortages in electricity and power generation and the project is in line with the Indian government's policy of attracting investment in infrastructure, including electricity generation.

The Shell scheme ranks alongside the country's largest inward investments such as the $2.6bn Dabhol power station being built in Maharashtra by a consortium led by Enron, the US energy group.

Although the government has said it wants to bring capital into the country rapidly, most investments, including those in electricity, have suffered from repeated political and bureaucratic delays. Enron's project was actually cancelled by the Maharashtra government in 1995 amid accusations that it was too costly, "corruptly" negotiated and environmentally unfriendly. It was renegotiated and restarted last year.

The Shell scheme will give I K Gujral, the prime minister who took office in April, an opportunity to show whether his government is any better than its predecessors at implementing big investment schemes.

Shell and Essar would build a terminal for importing 2.5m tonnes of liquid natural gas a year, rising to 5m tonnes, at the industrial centre of Hazira on north west India's Gujarat coast. They would also expand the capacity of an Essar-owned power station at Hazira from 515MW to about 2,000MW using the imported liquid gas as fuel.

The 20 per cent of the project not taken by Shell would be held by Essar.

Provided negotiations are completed and government approval granted, the partners hope to bring the project on stream in 2001.

"The project is being given the highest priority and we hope to receive all the necessary approvals and taken an investment decision in the near future," said Vikram Singh Mehta, chairman of Shell's Indian businesses.

Shell has two other Indian ventures – distributing lubricant oils in partnership with state-owned Bharat Petroleum and oil and gas exploration in north-east India.

The company is familiar with the difficulties of doing business in India: in 1992 it pulled out of a 25-year-old partnership with Arvind Mafatlal, a textiles and chemicals group, after long delays over a planned $2bn petrochemicals complex.

The new project is part of Shell's programme, announced earlier this year, of expanding into gas-fired electricity generation.

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NEWS: EUROPE

Chernomyrdin confident Russia will soon attract $10bn-$15bn in annual foreign investment

Russian economy 'on brink of growth'

By Chrystia Freeland in Moscow

After nearly a decade of decline, the Russian economy is on the brink of growth, Victor Chernomyrdin, the prime minister, predicted yesterday.

"Objectively, Russia stands on the threshold of economic growth," Mr Chernomyrdin told a banking conference in Moscow.

"In August the consumer price index basically did not change and the fall in gross domestic product ended," he said.

The prime minister made his upbeat comments after six years of turbulent economic reforms and nearly a decade of steady economic contraction.

As Russia's painful economic transformation has dragged on, ordinary Russians have grown sceptical of their leaders' routine promises of growth.

But this time, analysts and investors appear inclined to agree with the government's optimistic prognosis. Russia's year-on-year GDP was unchanged in the first half of this year, in a sign that the economy could be stabilising. Further hope comes from figures on industrial output, which was up 2 per cent in the first half of this year, relative to 1996.

"The economy is looking fine, it is stabilising," said Anders Aslund, a senior associate at the Carnegie Endowment. "The question is, is it beginning to grow, and I think it is. But what we are likely to see is a very gradual improvement because there is so little competition."

One reason for mounting hopes of a Russian economic revival is the government's success this year in bringing down interest rates and reining in inflation. Interest rates have dropped to below 19 per cent, a dramatic improvement over last year, when fears that Boris Yeltsin, the president, might fail to win re-election drove annualised returns on Russian treasuries above 200 per cent.

Sergei Dubinin, the tough chairman of the Russian central bank, said the government intends to continue holding down inflation. "We are sure that next year we will achieve single-digit inflation," he said. He said the central bank's aim next year was to achieve an annual rate of 5 to 8 per cent.

Mr Chernomyrdin expressed confidence that, as the economy began to grow next year, Russian would soon attract $10bn-$15bn in annual foreign investment.

"The inflow of foreign investments, besides having a direct effect on government securities' yield and the value of the internal debt, has reflected kindly on the central bank's reserves," he said. "This in turn has enabled the central bank to increase money supply with more confidence, without having to worry about inflation."

Bonn in deal with eastern Länder

By Peter Norman in Bonn

The Bonn government and the governments of Germany's eastern states yesterday settled a damaging dispute over a joint funding programme in the new Länder that earlier threatened to upset passage of the 1998 federal budget through parliament.

The breakthrough came after the economics ministers of the east German states agreed to do without DM200m ($108m) of support and accept delayed payments to help plug a DM709m gap in federal contributions for 1997 and 1998 to a joint subsidy programme for eastern Germany.

In return, Günter Rexrodt, the Bonn economics minister, promised at a meeting in Düsseldorf that the federal government would find an extra DM200m in its 1998 budget and DM309m between 1999 and 2001 to help finance investments under the programme, known as the Common Initiative for the Improvement of Regional Economic Structure in the east.

Yesterday's agreement was given swift backing by Helmut Kohl, the German chancellor, and will be incorporated into the government's federal budget plans, which are due to start a two-and-a-half month progress through parliament next week.

When news of the shortfall in federal government funding surfaced last month, government MPs from eastern Germany threatened to use their weight in the Bundestag, the lower house of the Bonn parliament, to hamper the budget's progress into law.

In mid-August, the eastern state governments buried party differences to resist the threatened cuts in the federal funding on the grounds that they would damage the climate for investors and threaten jobs.

The most recent seasonally adjusted figures for July showed a further rise in eastern German unemployment to 18.2 per cent of the workforce, against a slight decline in the western German jobless rate to 9.8 per cent.

Yesterday, state economics ministers from Mr Kohl's Christian Democratic Union and the opposition Social Democrats expressed satisfaction with the compromise.

Kajo Schommer, from Saxony's CDU government, said the decision created certainty for investment plans, while Burkhart Dreher, the SPD minister from Brandenburg, said it ensured that all investors would receive subsidies over the coming five years.

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German pay-TV faces EU rules

By Frederick Studemann in Berlin

The European Commission will decide the fate of one of Europe's biggest television alliances in the next few weeks when a three-way deal between Kirch Group, Bertelsmann and Deutsche Telekom to develop digital pay-TV in Germany is submitted for regulatory approval.

Seeking approval for digital pay-TV deal: Mark Wössner chief executive of Bertelsmann, Leo Kirch of Kirch Group and Ron Sommer, chairman of Deutsche Telekom

The Commission must decide if a deal made earlier this year between the three companies to establish a single technological standard for the reception and distribution of digitally transmitted programmes promotes or hinders competition.

A separate deal between Kirch and Bertelsmann to merge their digital pay-TV networks must also be reviewed.

For Brussels, this will be something of a rerun.

In 1994 the Commission considered an earlier proposal from three companies to develop digital pay-TV. That venture, known as MSG, was blocked and led Kirch and Bertelsmann to throw themselves into an expensive and acrimonious battle to develop separate digital pay-TV services with rival decoding technologies.

In a bid to make sure there is no repeat of the MSG decision, the companies have been busy lobbying in Brussels and at home. CLT-Ufa, the Luxembourg-based company in which Bertelsmann holds a 40 per cent stake, recently distributed a detailed strategy paper spelling out the merits of the alliance.

Essentially, the argument for the alliance is that the costs of developing digital television are so enormous that an agreed technological standard is necessary. Consumers cannot be expected to invest in two or more competing systems.

To do this, CLT-Ufa and Deutsche Telekom, the partially privatised telecoms company whose importance to the venture derives from its ownership of the bulk of Germany's cable TV network, will each take 38 per cent stakes in Beta Research, a Kirch subsidiary which has developed a decoder technology. The CLT-Ufa paper stresses that the technology can be used by all would-be participants in the digital pay-TV market.

"It is a unique situation, especially when you compare it with other countries such as Britain where in satellite pay-TV you have only one company with its own proprietary system," says Ferd Kayser, managing director of Premiere, the pay-TV channel jointly owned by Kirch and CLT-Ufa which is in the process of being upgraded to digital.

Such enthusiasm is, however, not shared by Germany's public sector broadcasters. Peter Voss, head of Sudwestfunk, one of the bigger public networks, complains that the Beta Research technology is discriminatory, as channels not owned by Kirch or Bertelsmann will be pushed to the outer limit of the channel spectrum.

He says the public sector broadcasters will take "all possible legal measures" to ensure "fair treatment".

Germany's federal cartel office in Berlin is also sceptical about the grand alliance, though its reservations centre more on Kirch's decision to merge DF-1, its loss-making digital pay-TV network, with Premiere.

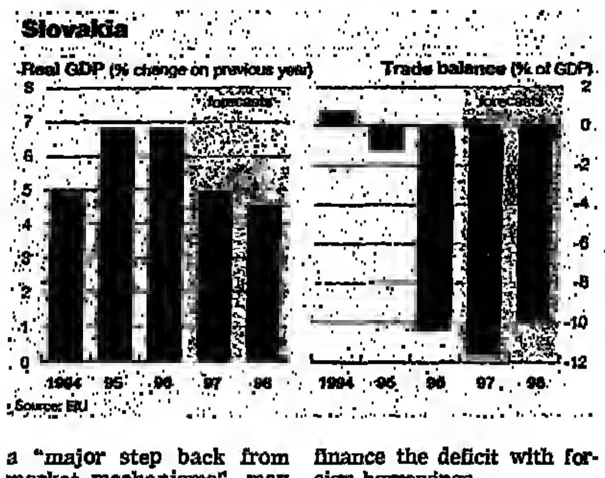
"With the two biggest broadcasters and suppliers linked together, it would be the final monopolisation of pay-TV," a cartel office spokesman said.

While the cartel office will not be ruling on the case, it expects to be consulted by Brussels. It may also apply for the case to be referred back to Berlin on the grounds that it solely affects a national market.

In 1994 Brussels turned down a similar request from the cartel office in the MSG case. In that sense alone, Kirch, Bertelsmann and Deutsche Telekom may hope for a rerun of events.

Slovak currency under devaluation pressure

By Joe Cook in Bratislava



Slovakia's economy is showing the same signs of stress that earlier this year triggered a currency crisis in the neighbouring Czech Republic, prompting calls for a devaluation of the Slovak koruna.

Despite the government's recent measures to correct economic imbalances, including a 7 per cent import surcharge, Slovakia's current account deficit may widen to 13 per cent of GDP by the end of the year, against a central bank target of 5 per cent, according to Merrill Lynch, the US investment bank. Forecasts for the year-end trade balance vary but are mostly well over the more than 10 per cent of GDP for 1996. ING Barings in Bratislava forecasts as much as 13 per cent.

Eugen Jurzyca, president of the Centre for Economic Development in Bratislava, an economic think-tank sponsored by British Know-How Fund and other western agencies, argues that devaluation would be more effective than import surcharges.

"The losses for consumers are greater than the gains for producers and government," he said, pointing to government predictions that the surcharge may increase inflation by 2 to 3 per cent.

Other government measures, including recent price increases for water, electricity, heating, petrol and rail travel, may add another 1 per cent to inflation, predicts ING Barings.

The central bank has to date followed a restrictive monetary policy, resulting in an annualised inflation rate of about 6 per cent, among the lowest in central Europe. But analysts note high interest rates may "choke off" domestic activity.

"There is probably a threshold beyond which the central bank is not willing to impose risks on economic growth," said an economist with a major US investment bank in London.

Vladimir Masar, governor of the central bank, says the main problem of the Slovak economy is the structure of GDP growth, which is driven primarily by domestic demand. This, combined with a lack of corporate restructuring, is "gradually undermining economic growth and the external balance", said the European Commission in a recent survey of Slovakia's economy.

The Slovak economy has enjoyed high growth recently. GDP grew by 7.4 per cent in 1995 and by 6.8 per cent in 1996. The finance ministry forecasts growth of 5 to 6 per cent this year.

However, the recent passage of an "enterprise revitalisation" law, described by the European Commission as a "major step back from market mechanisms", may undermine sustainable growth. Under the law, struggling companies based in areas of high unemployment can apply for government debt write-offs. Some 1,200 companies have already applied for inclusion.

Revitalisation may aggravate Slovakia's internal balance of payments. Citing a "significant" decline in revenue collection in the first half of this year, ING predicts a year-end budget deficit equal to 5 per cent of GDP, compared to last year's 3 per cent deficit. The Slovak government intends to finance the deficit with foreign borrowings.

Slovakia faces some hefty import bills between now and Christmas. Technology imports needed to complete the Mochovce nuclear power plant, telecoms equipment and oil and gas deliveries from Russia look set to undermine this year's bouncy export performance. Exports rose by 15 per cent in the first half of this year, against 7 per cent growth in the whole of 1996.

"Monetary policy has been holding back the waters," saidone economist, "but perhaps a crack in the dam has started to appear."

Finance centres need global view

Preparing for Emu

As competition intensifies between Frankfurt and London for financial business in advance of European monetary union, there is just a chance that both might be missing the big picture. Earlier this year Dresdner Kleinwort Benson, the merged German bank and British investment bank, announced it was amalgamating all of its asset management subsidiaries.

Rather than place the $50bn business in its London or Frankfurt offices, however, the bank opted to lead the fund from San Francisco. By strange coincidence, BZW, the British investment bank, has also relocated the headquarters of its global asset fund – BGI – to San Francisco. As BGI is an index-tracker rather than an "active" asset manager, however, geography plays much less of a role for the bank than for most equivalent operations.

"From our perspective, the London versus Frankfurt issue is pretty meaningless," said Peter Allen, director of Kleinwort Benson's asset management fund. "What matters to us is to have a seamless global operation with a strong presence in each major region."

Despite this, no one expects a flight of business out of Europe to US locations, for the simple reason that in most types of financial business it is important to be within the same time zone. "Ultimately, financial centres are where people want to work," says John Butler, fixed income analyst at WestLB Research in Düsseldorf. "You're talking about people, not manufacturing businesses where factories need to be near rivers or have access to materials."

For non-European investment banks which have to maintain a strong presence in Europe – for eurobond operations, European equity funds and foreign exchange trading – the jury is still out on whether Frankfurt is making any headway on London. Despite the efforts being made in Germany and France to streamline their bond markets ahead of Emu, London's dominance is not seriously in doubt over the next few years.

However, a successful currency union without the UK would eventually lead to some migration of jobs from London to the continent.

Günther Thumann, a London-based economist at Salomon Brothers, agrees that London will stay the most important financial centre, at least in the near term. "Regardless of whether the UK is in or out of Emu, London as a financial centre will be ready to play its part in the European competition."

Eventually, however, Mr Butler believes the UK will join Emu anyway, if it turns out to be a success. "Either way, London will remain the premier financial centre in Europe. So it will be the centre of a future euro bloc, like New York for the dollar and Tokyo for the yen."

Bankers and officials in other European countries might not see it quite that way. Frankfurt and Paris have ambitions to becoming more than financial satellites of London. Once currency risk disappears with Emu, attention will focus on which European country can achieve benchmark status for international institutional investors.

France has worked hard to try to keep a step ahead of Germany by developing a wide spread of government bond maturities and stating early on that its existing debt will be converted to euros as soon as Emu starts. Germany, with a bigger bond market in which foreign institutions play a much more significant role as investors, has made similar moves, though more tardily.

In Mr Butler's view, France, Germany and the Netherlands could all aspire to benchmark status. "Theoretically, you can have more than one country as a benchmark." Yet regardless of which country's bonds are used as benchmarks and which financial centres emerge supreme, the character of the new euro-based capital markets is set to change considerably.

As European governments strive to curb budget deficits and debt in line with the Emu convergence process, their debt issuance will slow down. This should open the way to a more flourishing market in corporate bonds, as in the US. "Corporate debt issuance could explode," says Mr Butler. "The chances are that the bond market will resemble the US more, with government debt still the largest component but corporate debt right up alongside it. The market is more balanced in the US – this could be the future for the European market if fiscal consolidation continues."

Mr Thumann says investors will push the trend in this direction anyway. In Europe, bank loans still dominate corporate financing for historical and tax reasons, whereas the US is characterised by a high level of equity and corporate bond financing. "But we will see Europe approaching the US way of doing things. Investors want this."

Thus the continental scuffles for capital market territory will eventually seem trivial against the pace of global change. Europe's markets will be forced to adapt and the euro will speed up this evolution.

Andrew Fisher
Edward Luce

Finns are evenly split on whether their country should join European economic and monetary union, according to an opinion poll, Reuters reports from Helsinki.

Asked how parliament should vote next year on Finland's membership of Emu, 41 per cent of respondents said members should support it, while 42 per cent said the single currency should be rejected, the research institute Taloustutkimus said.

In a similar poll in June and July, 37 per cent said Yes to Finnish participation in Emu and 43 per cent said No. The government has said it will propose to parliament that Finland joins Emu in the first group.

EUROPEAN NEWS DIGEST

Swiss Bank dismisses five

Swiss Bank Corporation has dismissed five staff from its Geneva operation after an investigation into embezzlement. The news came to light after one of the employees committed suicide.

The bank indicated that the sum of money involved was less than SFr10m ($6.75m), and that the case was not related to last week's arrest of an unnamed Geneva fund manager on suspicion of money laundering.

The Zurich cantonal authorities are understood to have launched an investigation into the affair since SBC Warburg, which is technically responsible for the Geneva operation, is based in Zurich. Last week UK regulators fined Swiss Bank Corporation £490,000 and reprimanded it for trading irregularities involving share transactions in regional UK electricity companies. Swiss Bank Corporation, the smallest of the big three Swiss banks, has the reputation for being the most aggressive. Its swift response to the problems in Geneva and London suggests that it is keen to remove any suspicion that it has let standards slip in its attempt to expand its profits more quickly than its rivals. *William Hall, Zurich*

■ ALBANIAN REPATRIATION

Italy extends deadline

Italy yesterday extended the deadline for the repatriation of Albanian refugees until the end of November in a compromise to avoid a diplomatic clash with the new Albanian government.

Under a directive signed by Romano Prodi, the centre-left prime minister, and to be published today, all Albanians without temporary immigration permits together with those who have disappeared from Italian refugee camps will be immediately repatriated by the Italian authorities. However, in a concession to the Albanian government, Italy has agreed to the gradual repatriation of all other Albanian refugees by November 30. The Italian government had originally set a deadline of August 31 for the repatriation programme but had come under pressure from Albania to delay the deadline.

The directive has already provoked controversy in Italy, with opposition parties accusing the government of conducting a muddled immigration policy and giving way too easily to Albanian demands. *Paul Betts, Milan*

■ TURKEY

EU customs deal in disarray

Turkey's prime minister, Mesut Yilmaz, said yesterday a customs agreement with the European Union faced difficulties because of what he called the EU's failure to meet its obligations.

"Because the union did not fulfil its own responsibilities, our customs union agreement faces serious problems," Mr Yilmaz told reporters before meeting Luxembourg's foreign minister, Jacques Poos, whose country currently holds the EU presidency. Mr Yilmaz did not elaborate on the problems affecting the 20-month-old treaty. He said he would also discuss Ankara's long-standing bid for EU membership with Mr Poos.

Mr Poos told reporters that Turkey had yet to meet conditions on joining the EU and would be treated the same as other candidates.

Bulent Ecevit, Turkey's deputy prime minister, was earlier reported as saying the Ankara government had wanted to renegotiate the customs deal because it had had a negative impact on Turkey's trade balance with the EU. The deal, a pact bringing down trade barriers, has been hampered by a row over EU financing aimed at helping Turkey to adjust to the more competitive conditions. *Reuters, Ankara*

■ LONDON CLUB

Russia announces debt plan

Russia will close its agreement with the London Club of commercial banks to reschedule $35bn in debt no later than November, Alexei Kudrin, first deputy finance minister, said yesterday.

"From the beginning of 1998 we shall start to service our debt to the London Club in full," he said. "The closing will happen no later than November."

Previously, the finance ministry had said it would announce the schedule for closing the agreement during the annual meetings of the International Monetary Fund and World Bank in Hong Kong in September. But the ministry had said it could take until the end of the year to close the agreement. Last week Russia said 78 per cent of the foreign debt which it inherited from the Soviet Union had been reconciled. The restructuring agreement can be signed once 90 per cent of the debt is reconciled.

Mr Kudrin also said Russia would enter the Paris Club of creditor nations in two weeks, seeking repayment on $37bn in debt. *Reuters, Moscow*

■ OLYMPICS SABOTAGE

Athens target of bomb attack

A bomb exploded outside the offices of the Greek Olympic Committee in central Athens, in an apparent attempt to derail the city's candidacy to host the 2004 games, police said yesterday. The bomb, made from three gas canisters and a can of petrol, went off late on Sunday and started a fire which was brought quickly under control by firefighters. Police said a group called "Struggle against power" had claimed responsibility in a telephone call to a Greek newspaper and television channel.

The group has already claimed responsibility for half a dozen explosions in public buildings in the last few years, none of which has caused extensive damage. The attack happened five days before the international Olympic Committee is due to announce its choice on the location of the 2004 Olympic Games from five candidates, which include Athens.

This is the first violent protest against Athens's Olympic bid, which is supported by a majority of Greeks. Stockholm, another candidate city, has been hit in the past month by at least eight bombings and fires apparently designed to destroy the city's chances of hosting the games. *AFP, Athens*

■ ADRIATIC-BLACK SEA LINK

Talks on highway project

Transport officials from nine countries convened in Bulgaria yesterday to discuss plans for a highway linking the Adriatic with the Black Sea.

In attendance at the three-day meeting in the Black Sea city of Burgas are the transport ministers of Albania, Bulgaria, Georgia, Macedonia, Turkmenistan, Turkey and Uzbekistan and officials from Azerbaijan and Kazakhstan. The planned road is one of nine trans-Balkan highways whose construction the European Union will help finance. However, work has been stalled by political and economic instability in Albania, Bulgaria and Macedonia.

The US government has given $30m to help Bulgaria build its part of the project, which is expected to cost some $2bn in all, said Valya Luleva, spokeswoman for the Bulgarian transport ministry. The highway, with ferry links from Albania's Adriatic port of Durres to Brindisi in Italy, and from Burgas to Poti in Georgia, is envisaged as a cargo route between western Europe and the former Soviet republics, and through Turkey to the Middle East.

The blueprint includes some 1,000km of new roads paralleled by railroads. It also envisages the enlargement of sea ports in Burgas and Durres. *AP, Sofia*

Sega plans Vietnam arcade games

By Michiyo Nakamoto in Tokyo

Sega, the Japanese games company, and Sumitomo, one of Japan's leading trading companies, plan to bring high-tech amusement games to Vietnam.

The two Japanese companies have linked up with a government-controlled Vietnamese company to build a games arcade in Hanoi's Lenin Park.

The theme park – Vietnam's first – will be a 1,000 square metre games arcade complete with virtual reality simulation games machines and the latest products.

Sega, Sumitomo and Hanoi Green Trees Park, which is controlled by the government, are setting up a joint venture company, Amusement World of Vietnam, to develop and operate a series of amusement parks in Vietnam.

The joint venture, which aims to open its first arcade in February 1998, will be 40 per cent owned by Sumitomo, 30 per cent by Sega and 30 per cent by Hanoi Green Trees Company.

The joint venture company was established at the request of the Vietnamese government, which is keen to provide the public with an entertaining way of building up computer skills, according to a Sumitomo representative.

There are no amusement parks in Vietnam, where per capita gross domestic product amounted to US$274 in 1995. In the past, only about 10 second-hand commercial games machines have been introduced into the country.

Recently, Sumitomo and Sega donated 12 machines each of Pico, an educational games machine, and Sega's Saturn video games machine, to the country's Children Palace, an educational centre.

The games arcade will feature popular products, such as the Print Club machine which offers instant photo stickers, and is expected to attract 300,000 visitors in its first year. Amusement World of Vietnam eventually plans to open more and bigger arcades.

The foray into Vietnam represents the seventh overseas joint venture for Sega, which has already opened more than 100 amusement parks throughout the world.

Although it does not have specific plans to introduce its latest-generation 32-bit games machine, the Saturn, into Vietnam immediately, the company notes that there is a possibility it could commercialise the Pico, a games machine offering educational entertainment to young children.

Sumitomo, which has been involved in a project to build an industrial park in Vietnam, was approached by the Vietnamese government with a request to co-operate in the opening of a theme park aimed at combining entertainment and the teaching of computer skills, the trading house said.

"The Hanoi government believes that by offering the public the chance to gain familiarity with computer manipulation through amusement facilities and games, it might be possible to nurture technical workers necessary to attract high-tech industries to Vietnam," the companies said.

In October last year, Vietnam opened its first leisure and entertainment complex, the $15m Saigon Superbowl with a 32-lane bowling alley. The leisure complex has 4,000 sq m of retail space, and includes a western-style supermarket and a food court. Names such as Revlon, the cosmetics retailer, Adidas sportswear and Swatch, the Swiss watchmaker, have also opened for business.

Mexico imposes dumping duties in dispute with Nafta partner

US apple exports cause row

By Daniel Dombey in Mexico City

The Mexican government yesterday imposed anti-dumping duties on US "red delicious" and "golden delicious" apples that Mexico says have flooded its domestic market.

The duties, provisionally set at 101 per cent for both varieties of apple, cap the latest in a series of disputes which have upset the multi-billion dollar business of Mexico-US agricultural trade.

Last year, Mexico exported $2.4bn of agricultural products to the US, while the US sent $3.5bn of agricultural goods to Mexico.

The Mexican trade ministry said as a result of an investigation begun in March it had concluded that the apples, which have become increasingly visibla in Mexican markets and supermarkets, "have come into the country under conditions of dumping".

"This has provoked falls in the country's apple production, in Mexican apples' share of the domestic market, in the amount of land cultivated, in jobs, and in the profits of apple producers," the ministry added.

The investigation had been sought by a regional fruit growers' association in the northern state of Chihuahua.

The results appear to confirm that agricultural trade between the US and Mexico has become one of the most sensitive areas of the North American Free Trade Agreement (Nafta).

Under Nafta, US apple imports in 1994 were subject to an 18 per cent tariff, which was to be gradually reduced by 2 percentage points a year.

Mexican producers have claimed that US exporters have sold the fruit at below its cost since 1992.

Under the terms of the Nafta agreement, many agricultural products have been free of tariffs since 1994, although both countries have the right to protect their most sensitive crops until the beginning of the next decade.

However, the beginning of free trade has prompted various accusations of dumping and unfair competition.

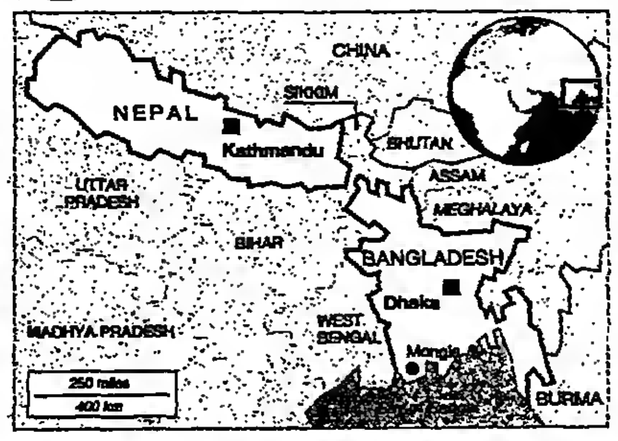
Last year, a long-running dispute over tomatoes was resolved in favour of the US when the Mexican government agreed to stop all tomato exports to the US below a certain price.

Complaints by Florida growers had made the dispute an election issue in the US.

However, earlier this year, avocado growers from the poor western state of Michoacán were allowed to ship the fruit to 19 states in the US from November to February each year, so ending an 83-year ban.

Transit route realises dream for Bangladesh and Nepal

By Keera Naji in Bangabandh on the Bangladesh-India border



Bangladesh yasterday formally opened its land border to traders from the Himalayan kingdom of Nepal, realising a dream over more than two decades for both sides. The move was made possibla after India decided to grant Nepal a transit route through a 60km corridor in the Indian territory joining Nepal and Bangladesh.

Local people and newly appointed customs and immigration officials watched the ceremony marking the opening of the new ronte in an area that has been slow to develop regional trade.

"This is an epoch-making day for the trade relations of our two countries," said Sarbendra Nath Shukla, the Nepalese commerce minister.

I.K. Gujral, the Indian prime minister, agreed to grant Nepal the transit route through its territory in June while visiting Kathmandu. This opened the way for the implementation of a transit agreement that Nepal and Bangladesh signed in April 1976.

The transit route through Bangladesh offers Nepal an alternative to using the port of Calcutta in India, where Nepalese traders have been complaining of prolonged waiting times for berthing rights. Traders also complain of high berthing costs.

Nepalese traders will now be able to use Mongla port on the Bay of Bengal which, officials say, has unutilised capacity.

An east-west highway in Nepal and a north-south highway in Bangladesh cover most of 1,100km between Kathmandn and Mongla port.

Bnt much road improvement work and a number of new bridges are needed to bring roads on tha rest of the route to the standard needed for the passage of heavy trucks.

"This tends to help increase bilateral trade rather than lend itself to a huge growth in Nepalesa imports through Mongla port," said one observer.

The volume of trade between the two countries stood at 1.066bn Nepalese rupees (about $20m) in 1995-96.

India expects that its goodwill gesture to allow transit through its territory will encourage Bangladesh to grant India a transit route to its seven north-eastern states through Bangladeshi territory.

This is a sensitive subject in Bangladesb, where the main opposition parties are vehemently opposed to the idea on the grounds that it would undermine Bangladesh's sovereignty.

Tofail Ahmed, commerce minister of Bangladesh, expressed the bope that all parties would agree to remove economic development issues from the political agenda.

"We have not even discussed it yet," he said, when he was asked abont when Bangladesh might grant India a transit route.

WORLD TRADE NEWS DIGEST

US sanctions threat lifted

The US has dropped a threat to impose economic sanctions against Ecuador over its failure to ratify an intellectual property agreement signed in 1993. In addition, US companies have been subject to multi-million dollar compensation claims in the Ecuadorian court for terminating agreements with their Ecuadorian representatives.

The threat of sanctions was lifted after top level meetings, prompting the Ecuadorian Congress to repeal the legislation under which former Ecuadorian representatives of multinationals could seek compensation claims.

It is also possible that changes to the bilateral intellectual property agreement may be negotiated in order to improve its chances of ratification by Ecuador's Congress. *Justine Newsome, Quito*

■ JAPANESE CARS

Domestic sales fall again

Japan's leading carmakers remain bullish, in spite of continuing weakness in the domestic market. Nissan, Japan's second largest carmaker, said yesterday that the company was on track to reach projected sales of 1.13m units in the current fiscal year in spite of weaker-than-expected sales since an increase in the consumption tax in April.

Figures released yesterday by tha Japan Automobile Dealers Association showed domestic sales slipped 10.3 per cent in August, for the fifth month in a row. Both Nissan and Toyota, Japan's largest carmaker, suffered declines of 9 per cent, while Honda lost 15.5 per cent. Of the top five carmakers, only Mazda saw an increase.

Sales of imported cars, meanwhile, which have been hit by a weaker yen as well as the higher consumption tax, fell 18.8 per cent. *Michiyo Nakamoto, Tokyo*

■ JAPAN-CHILE TRADE

Ministers seek improved ties

Japan and Chile yesterday agreed to strengthen bilateral ties by promoting trade and investment through a series of events marking the 100th anniversary of the signing of a trade treaty. Chilean foreign minister Jose Insulza, who is visiting Japan with Chilean President Eduardo Frei, reached the accord in talks with Japan's foreign minister, Yukihiko Ikeda.

The two countries will hold a series of events this year, including a meeting in Chile this month of an economic committee between the two countries, and industrial exhibitions in each country. The Tokyo Chamber of Commerce and Industry will send a 35-member mission to Chile later this month to discuss the possibility of expanding two-way trade and Japanese investment in Chile. *Kyodo, Tokyo*

■ Ireland's Sean Quinn Group has placed a DKr250m ($36m) order for a cement clinker production unit from Denmark's F L Smidth & Co, which won the order against competition from French and German companies. The order is one of the few European orders for new cement production facilities in recent years and reflects the high level of building activity in the Irish Republic, according to F L Smidth. The plant, with output of 1m tonnes a year, will double the Sean Quinn Group's cement production capacity. *Hilary Barnes, Copenhagen*

INTERNATIONAL NEWS DIGEST

FIS leader rearrested

Abassi Madani, bead of Algeria's outlawed Islamic Salvation Front (FIS), has been placed under house arrest, the Algerian interior ministry said yesterday. The new restrictions on Mr Madani, who was conditionally released in July after serving half a 12-year jail term for threatening state security, came two days after he made an appeal for dialogue addressed to Kofi Annan, United Nations secretary-general.

Mr Madani bad written to Mr Annan saying he was "ready to launch a call to balt tbe spilling of blood immediately and prepare the opening of a serious dialogue," but the Algerian government accused Mr Annan of interfering in Algeria's internal affairs.

The UN chief said the interoational community could not abandon the Algerian people to its fate and that words of condemnatioo were not enough. "It will be necessary to go beyond tbat quietly and discreetly," he said.

The Algerian foreign ministry on Sunday said Mr Annan's remarks were "unacceptable because they go far beyond the area of responsibility of tbe top leader of a global organisation founded on tbe respect and sovereignty of states and on oon-interference in their internal affairs". *AFP, Algiers*

■ KENYA ECONOMY

IMF firm line hits shilling

The International Monetary Fund's refusal to resume lending to Kenya despite sweeping government promises to eliminate corruptioo yesterday further undermined the shilling, which had rallied briefly on expectations of a deal. Brokers said tbe shilling, which plunged following the fund's suspension of its $220m loan programme on July 31, closed at a commercial mean rate of 66 to the US dollar compared with Friday's closing 65.72.

Tbe arrival of an IMF mission in Nairobi last week triggered hopes tbe fund would fix a date for negotiations over disbursemeot of tbe second and third years of tbe lapsed agreement. But before leaving Nairobi the mission head stipulated that President Daniel arap Moi would have to deliver on specific pledges to eliminate graft before any credits were released.

Kenyan commentators yesterday said Mr Moi could not afford to clean up revenue collection, set up an independent anti-corruption authority and overhaul the power sector as it meant sacrificing his closest aides.

"The biggest beadache for Moi is that fingers always point at his 'most trusted' deputies, allies and powerbrokers," said the Economic Review. "These are the same people wbo keep tbe Kanu political machinery properly oiled, hence Moi depends on them to remain in power." *Michela Wrong, Nairobi*

■ IRAN

'Spy for Great Satan' hanged

Iran bas executed an Iranian man coovicted of spying for the US, tbe official Iranian news agency Irna said yesterday. It said Siavash Bayani had left Iran for the US in about 1984 but returned tbree years ago to gather information for the CIA. It quoted a military court in Tehran as saying Bayani had confessed to "disgraceful activities – spying for tbe Great Satan, America" and had received $1,000 to $1,500 for eacb contact. *Reuters, Tehran*

Israel eases border restrictions for some Palestinian commuters

Move will bring little relief in the West Bank and Gaza, where the economy is squeezed on several fronts by an Israeli stranglehold, writes Judy Dempsey

Israel yesterday started easing tbe closures it imposed on the West Bank and Gaza after the double-suicide bombing on a Jerusalem market in July.

The announcement by the defence ministry was made ahead of the visit by Madeleine Albrighi, US secretary of state, next week.

Initially, only 4,000 Palestinians, married and over the age of 35, will be allowed to enter Israel to work. Befnre the bombings, more tban 35,000 commuted to Israel each day. Some 2,000 traders, married and over the age of 30, will be allowed to resume business with Israel.

In addition, 250 teachers from the West Bank will be allowed to travel to work in Arab East Jerusalem while 200 Palestinian Authority employees will be ahle to travel through Israel between the West Bank and Gaza.

Western diplomats have repeatedly said the closures – which often include internal closures that prevent free movement between Palestinian towns and cities – amount to a "collective punishment" hy Israel of Palestinian citizens.

"With these administrative measures, you realise tbe extent of the vulnersbility of the Palestinian administration and its economy," said a senior western diplomat. "Because there is no safe corridor between the West Bank and Gaza, no airport or port, Palestinians are completely locked in and completely dependent on the policies of the Israelis."

Diplomats, even US officials, have also sharply criticised Israel's decision to stop the payment of revenue "clearances" to the PA. They said tbese sanctions, imposed for the first time after the July bombings bave nothing to do with security.

The clearances, agreed under the terms of the Economic Protocol of the Oslo Interim Agreement, consist of value added tax, excise taxes, customs duties and income tax collected by Israel on behalf of the Palestinian Authority. They are used to pay the PA's officials and police. The Israeli finance ministry last week paid one-third of the ootstanding Shk134m ($38m) owed for July to the PA. But an adviser to Benjamin Netanyahu, the Israeli prime minister, said there were no immediate plans to resume full payment.

Israeli border police yesterday grapple with a Palestinian protesting that Israeli settlers were cultivating Palestinian land north of Jericho *Associated Press*

The combination of closures and sanctions will, according to a report issued last week by tbe World Bank, "threaten what has been a promising improvement in economic conditions beginning in mid-1996".

The International Monetary Fund and the Palestinian finance ministry projected real gross oational product would grow 8 per cent this year. But this figure was based oo the assumption that 35,000 Palestinians would be working in Israel each day, trade would expand and tbat the PA would be able to attract investment.

The World Bank has now shown that each day of a full border closure results in a loss of $1.35m in earnings by Palestinians. From July 31, when the closures were imposed, to August 28, tbe losses amounted to $31.1m. In a region wbere unemployment is over 30 per cent, it is often the case that a Palestinian working in Israel is a household's only breadwinner.

Trade has been badly hit as well since exporters have been locked into the West Bank and Gaza, and farmers, because of the internal closures, have been prevented from getting access to their land to farm and sell their produce. "Crops requiring harvesting are rotting," tbe World Bank said. The IMF had estimated that exports for 1997 would total $366m. Since the closures, export revenue has fallen $29.9m.

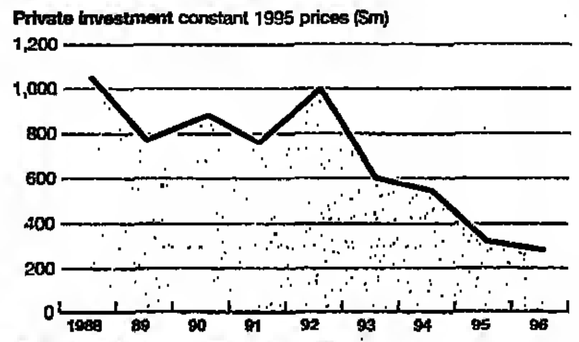
In tbe short term, the Palestinian economy will recover from these closures. Bnt the longer-term damage to the region's economic prospects is immense.

"Private investors will shy away from the West Bank or Gaza," said Mr Salam Faayad, the IMF's representative in the World Bank and Gaza. "They want certainty. Even if the closures are lifted, who is to say when they will be imposed again."

Private investment reached a peak of $1.2bn in the late 1980s, but bad fallen to $527m by 1994 before plummeting 56 per cent $527m to $225m last year. World Bank officials argue that unless the extraordinarily imbalanced relationship between Israel and the PA changes, "the Palestinian economy's longer term growth potential is likely to be hampered by the disincentive to private investors".

Palestinian investment

Private investment constant 1995 prices ($m)



Source: Palestine Economic Pulse, May/June 1997

Transfer pricing: confusion over tax treatment

By Christopher Adams in London

International tax authorities are causing widespread confusion in the way they treat multinatinnals over the transfer of profits between cnnntries in which they operate, says a report published today by accountants Ernst & Young.

The survey nf 400 multinationals urges OECD countries to adopt a more consistent approach to enfnrcement measures and policing arrangemeots.

Goods which may be subject to transfer pricing account for abont half of all world trade. The tax charges can run into billions of dollars for large companies and influence decisions over where to invest.

Nearly two-thirds of multinationals have been investigated hy tax autborities because of the widespread perception that some companies transfer profits between countries in order to reduce tax, says the survey.

The consequences of avnidance, intended or not, can be huge. In 1993, Nissan, the Japanese carmaker, paid nearly Y17bn ($144m) in penalty taxes to the US Internal Revenne Service after an IRS ruling that tbe company avnided US taxes hy transferring part of its incnme from the US to Japan.

But some companies are falling victim tn vague rules on transfer pricing, says Ernst & Young. While the OECD has drawn up broad guidelines on how tn tackle the issne, member states often apply them inconsistently.

This means that companies can sometimes find themselves snddenly liable to pay several years of back taxes in one country, but not gain a corresponding refund in another.

"It's a war between the fiscal authorities with tbe multinationals caught in the middle," says Gary Mills, transfer pricing specialist at Ernst & Ynung. "There's very little guidance at a local level and tbe OECD tends to be very much on a theoretical plane."

In tbe UK, the government is expected shortly to recommend that the Inland Revenue he given powers to jndge when transactions are designed for tbe purpose of tax avoidance.

This will strengthen its position and is likely to sbift the burden of assessing transfer pricing liabilities to tbe companies themselves. But the UK accountancy firm says there is a need in the UK for practical guidance and cnmpanies may incur additional tax simply by misinterpreting the rules.

The OECD recommeuds only that goods and services sold within multinatlonals be charged at prices wbich an independent party would pay. It endorses two approaches, nne which nses comparable transactinns elsewbere as a benchmark and one wbicb compares company profits with those in similar industries.

In practice, however, at least a dozen methods are used around tbe world and, without local guidance, mnltinationals are using methods required by the US – tbe mnst prescriptive regime – even where the US is not involved.

Tax antborities are stepping up their anti-avoidance measures and 80 per cent of companies expect to face a transfer pricing inquiry in the next two years. Half the companies investigated were unahle to defend their accounting methods.

The Ernst & Young survey found multinatinnals faced the most number of transfer inquiries in Canada, Germany, the UK and the US.

Egyptian clean-up hits securities brokers

By Mark Huband in Cairo

Egypt's financial market regulator has suspended two Cairo brokerage firms for illegal practices and publicised the cases as part of a new strategy of transparency aimed at building investor confidence in financial institutions.

Two Cairo firms, Intercapital Securities and the Egyptian International Brokerage Group, have been suspended from dealing for two months following allegations of "over-the-counter" dealing in bank shares (dealing that can he suhject to ahuses). Intercapital has denied involvement in any illegal practice, and the result of an appeal against the auspension is expected today.

The cases are the first in which the Capital Market Authority (CMA) and the Cairo Stock Exchange (CSE) have enacted a newly agreed practice of puhlicising actions taken against companies providing financial services. Action taken by the authority and the stock exchange will now be posted in a regular bulletin which will be widely available.

"The CMA and the stock exchange will be putting out regular statements. In these transactions the law has been broken, and there may be further investigation," said Sherif Raafat, chairman of the Cairo Stock Exchange, yesterday. "You have to deal at market prices, and the price discrepancy from over-the-counter trade is unacceptahle."

The current case involves the sale of shares in a Cairo bank, which included both sales of listed shares and a direct "over-tbe-counter" agreement between tbe huyer and seller. Intercapital Securities had handled the sale of listed shares on behalf of the huyer, but was not involved in a parallel purchase of shares at a different price.

"The CMA witbout any investigation, took action. We didn't know that there was a parallel agreement," said Ahmed el-Helw, managing director of Intercapital, who is expecting a CMA arbitrage committee to rule today that there was no impropriety.

> The cases have exposed the need for rapid overhaul of the surveillance mechanism within the market

"Nohody should he suspended without an investigation," he said, insisting that evidence of Intercapital's handling of the purchase suggested the CMA had moved too quickly.

The CMA's determination to act firmly against brokerages proveo to have acted illegally has led to increasingly tough measures. The two-month suspension of Intercapital, which is 30 per cent owned by ING Barings, deprives the market of one of Cairo's leading houses. Since its launch six months ago it bas bandled E£1.85bn ($545m) of transactions and captured up to 23 per cent of the market.

As part of a sweep against illegal practices, the CMA has also suspended dealing in shares of the Egyptian Poultry Company, owing to confusion arising out of the clearing of share sales. It has also taken action against an individual investor who failed to disclose that his purchase of shares in a single company had exceeded a 10 per cent ceiling beyond which disclosure to the company is required.

The cases have revealed the authorities' willingness to act hut also exposed the need for a rapid overhaul of the surveillance mechanism within the Egyptian market.

Both the regulatory institutions and finance houses view the checking procedures within the system as inadequate in view of the current volume of trade. The CSE is now looking to install facilities which will allow trade to increase from its current 15,000 daily transaction capacity to 100,000.

In the expectation of aurging investment from Egypt-based mutual funds in the coming months, the CMA has also barred funds controlled by a single fund manager from exceeding 5 per cent of the CSE's total market capitalisation, currently standing at E£64bn ($18.8bn). Mutual funds operating in Egypt have also been asked to provide three-monthly accounts including audited statements and a list of all the funds' holdings.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Financial turmoil in south-east Asia □ Tightening starts to hurt banks and companies

Philippine bank lending rates forced higher

By Justin Marozzi in Manila

Philippine banks' overnight lending rates soared yesterday to an average of 33.5 per cent, following the suddeo tightening of domestic liquidity last week, sending the stock market to a four-year low.

Rates jumped from 12 per cent on Friday in response to the central bank's move move last week to raise commercial banks' liquidity reserve requirements from 5 to 8 per cent in an effort to prevent furtber weakening of the peso. The move to lift reserves, which stood at 2 per cent in July, has now taken 63.6bn pesos ($2bn) out of circulation. In late European trading last night the peso was at 30.2 to the dollar, up from 30.4 late on Friday.

The upward trend of interest rates was confirmed at yesterday's weekly government auction of treasury bills, with the average rate for the bellwether 91-day bill leaping from 14.2 per cent last week to a five-year high of 19.3 per cent.

News of the soaring interest rates once again hit the stock market which continued its six-day losing streak, plunging 2.3 per cent to 1,975.28 points. Property companies, which have recently warned that high interest rates are hurting sales in an overbeated real estate sector, were badly hit witb blue chips such as Filinvest Land and C&P Homes falling 13 and 14 per cent respectively.

Mr Roberto de Ocampo, finance secretary, moved swiftly to calm anxieties. "This is a very temporary situation that will not have any major lingering effect on the economy," he said. His remarks come as fears intensify of an economic slowdown in the wake of tbe regional currency crisis. Signs of a downturn emerged last week, wben the government announced first half gross national product growth had slipped from 7.5 per cent a year ago to 5.9 per cent. It was the first time growth had slowed since President Fidel Ramos came to office in 1992.

"The risk, of course, in all this is that prolonging a tight monetary policy will cap the ability of the economy to grow," said Mr Chris Hunt, head of research at Indosuez W.I. Carr Securities. "Domestic credit will become tighter, the ability of companies to finance their growth will be inhibited and this will all translate into lower earnings growth, certainly below market expectations, for 1998."

Ms Caridad Valdehuesa, national treasurer, said yesterday the high interest rates had forced the government to postpone planned bond offerings of five-year, seven-year, 10-year and 20-year debt. The government would now have to look at alternative revenue sources, she added.

Real lesson from Asia, Page 15; Markets, Page 32

Doubts over Indonesian curbs

By Greg Earl in Jakarta

Indonesia's forward foreign exchange market dried up yesterday as banks tried to gauge the impact of a new weekend limit on forward currency speculation by foreigners.

The rupiah fell to a low of 2,960 to the US$ from 2,860 but later recovered slightly, wbile tbe Jakarta Stock Exchange composite index lost 1.5 per cent of its value as traders warned of a foreign investor backlash against tbe new limits.

Bank Indonesia, the central bank, announced on Sunday that there was now a $5m limit on lending to any one non-resident customer for forward market transactions and on the overall outstanding position of the bank.

Foreign bank treasurers said tbey were confused about exactly what lending was permitted by a provision whicb allows lending for genuine trade and investment, supported by appropriate documents. They were also unsure how a bank's overall exposure was to be calculated and were awaiting a briefing by Bank Indonesia.

The central bank is under severe domestic pressure to cut its punishing 30 per cent sbort-term interest rates because of threatened bank collapses but is concarned the rupiah will be severely hit by forward market selling once it indicates an easing of monetary policy.

One senior foreign banker in Jakarta said yesterday he did not think Bank Indonesia would allow a leading bank to collapse but be believed Indonesian state-owned banks would already be examining the books of up to a dozen troubled small banks in preparation of absorbing them.

Economists said it was possible that some of the smaller banks might fail if the currency controls did not ease interest rates sharply. But tbe prospect of lower rates seemed remote to some. "The effect of this very severe credit squeeze is likely to continue until early 1998," said Mr Rajeev Malik, senior economist with Jardine Fleming Research in Singapore.

While bankers in Indonesia said they were concerned the new rule would generate nervousness about investment in Indonesla, some said they could understand Bank Indonesia's desire to limit foreign speculation as it tried to engineer an interest rate reduction.

Many people expect the rupiah to dip significantly below 3,000 to the US dollar before stability returns. Although there is a large offshore rupiah market in Singapore, there was also uncertainty about whether the offshore liquidity was sufficient to allow the development of an offshore hedging market.

Soma observers say that the main reason for the new rule was to retain the rupiah within the domestic economy as part of the move to ease domestic liquidity conditions and that the main demand for dollars against the rupiah is now coming from domestic companies with foreign debts rather than speculators.

Although the restriction is for a limited time, it marks a significant reversal for Indonesia's commitment to an open capital market.

Selling continned yesterday in the Singapore and Thai stock markets, but the Kuala Lumpur market was closed for a holiday, writes James Kynge in Kuala Lumpur.

In Singapore, a sense of nervousness over falling regional markets, a weakening Singapore dollar and apparent disarray in financial policy contribnted to selling pressure. The Straits Times Industrial Index ended down 19.20 points, or 1.06 per cent, at 1786.44.

Thai stocks ended lower for the 13th consecutive session due to unease over the baht's weakness. The baht briefly sank to a new low of 34.70 to the US dollar before recovering slightly. The composite SET index dropped 8.39 points or 1.67 per cent to close at 493.84.

■ The Australian stock market was subdued yesterday as traders bided their time until New York resumed trading after its long weekend, writes Elizabeth Robinson in Sydney. The All-Ordinaries index was down 2.2 points at 2590.8, after it fell 63.5 points on Friday. Expectations of further interest rate cuts this week pushed the Australian dollar towards the bottom of its trading band against the US dollar at 73.15 US cents.

Thais warned on IMF targets

By William Barnes and Ted Bardacke in Bangkok

The Import-Export Bank of Japan warned Thailand yesterday that disbursements of its $4bn contribution to a $17.2bn rescue package were conditional on Bangkok reaching macroeconomic rescue targets agreed with the International Monetary Fund.

Mr Chaiyawat Wibulswasdi, the central bank governor, who signed the loan agreement, said the first instalment of $1.6bn would arrive this month, along with $2.4bn in initial payments from Asian central banks.

In Bangkok a Thai official said the World Bank would top up its $12bn contribution with an extra $25m to help restructure battered finance houses, but not to bolster liquidity.

The IMF organised its biggest rescue operation since Mexico in 1994 after the Bangkok authorities dramatically depleted their foreign reserves in a futile defence of a 13-year peg to the dollar. The baht had to be floated on July 2.

The IMF-sponsored rescue targets inflation of between 7 and 8 per cent before almost halving the figure in 1999. But inflation picked up sharply in August. Thai consumer prices rose 6.6 per cent year-on-year, driven by sharply higher food and fuel prices caused by the baht devaluation.

Prices rose 4.9 per cent year-on-year in July, making the month-on-month rise 2.6 per cent, a level that analysts said was unsustainable if Thailand was to meet the IMF target. Prices of food and beverages rose 9.5 per cent year-on-year, with the price of rice and flour up 42 per cent.

Sihanouk peace plea wins support

By Ted Bardacke in Bangkok

King Norodom Sihanouk's appeal for an end to hostilities in Cambodia's smouldering civil war gained momentum yesterday Prince Norodom Ranariddh, the ousted first prime minister, said he was willing to return to bis country for peace talks while his rival, the second prime minister, Hun Sen, asked for an audience with the king to present the outlines of a peace proposal.

King Sihanouk, a constitutional monarcb who reigns but does not rule, returned last week to the ancient Khmer capital of Siem Reap from Beijing where he had been receiving medical treatment and pleaded with both sides to stop fighting and enter peace talks with himself as a referee.

His son, Prince Ranariddh, speaking in Bangkok where he been exiled since being forced out of office by Mr Hun Sen in a bloody July putsch, accepted the king's proposal and laid out some negotiating conditions.

These include a ceasefire, protection for the some 20,000 refugees and the formation of independent commissions, with involvement by the UN and the Association of South East Asian Nations (Asean), to help ensure the safe return of political leaders and oversee elections next year.

Asean has already proposed similar conditions and has actively sought the involvement of King Sihanouk. Prince Ranariddh said be would be willing to attend talks in the king's palace in Siem Reap despite Mr Hun Sen's pledge to jail him should be return to the country.

Aides to Mr Hun Sen said he was preparing a proposal for talks and wanted to meet King Sihanouk by the end of the week to present his ideas. His proposal is likely to differ radically from that of Prince Ranariddh, with analysts saying Mr Hun Sen wants to control next year's elections directly and wants the last remaining royalist soldiers to lay down their weapons.

But the tacit acceptance of a role for King Sihanouk is new for Mr Hun Sen, who previously has rejected any political or governmental rola for the monarch. Mr Hun Sen is coming under more international pressure to create stability in his country and must carve a niche for the widely popular king, lest he abdicate in disgust and disgrace the strongman before the elections.

New Delhi increases fuel prices

By Amy Louise Kazmin and Mark Nicholson in New Delhi

India's United Front coalition government yesterday announced a long-awaited increase estimated at 5 to 20 per cent in the price of petroleum products to help cover the country's mounting oil pool deficit.

The price of petroleum will rise by one rupee per litre while the price of diesel fuel will go np by Rs1.8 a litre from today.

The increase will be too small to offset the government's oil pool deficit, which is estimated at abont $5bn. Instead the government has decided to issne bonds totalling Rs182bn ($5bn) to cover the deficit.

The bonds will have a lock-in period of five to seven years and carry interest rates of 5 to 10 per cent and could be pledged against borrowings by the state owned oil companies.

The limited amount of the increase and tbe need to resort to bonds to cover the deficit is a measure of the United Front's political weakness. The oil pool deficit is paid by tbe government to compensate oil companies for selling refined prodncts at the low international market prices.

The petroleum price rise has been a hotly contested issne among India's multi-party coalition government. The finance minister, P. Chidambaram, bas been pushing for months for a price increase to belp cover the oil deficit. However with elections looming, political parties have been reluctant to take any steps that might antagonise voters. The price of kerosene, used by the poor for cooking, has not been increased.

Taiwan's cable customers tied up in knots

Government enforcers no longer go around snipping wires, but service has scarcely improved since Taiwan's cable television industry was legalised four years ago.

In fact, for most of Taiwan's long-suffering cable subscribers, quality of service has gone downhill and prices have gone up – and the situation is unlikely to improva soon.

"Taiwan's cable industry is a mess right now," says Andrew Rybicki, chairman of Asia Digital Broadcast, a Taiwan-based start-up telecommunications company planning to launch direct-to-bome broadcast services. "A few years ago everybody jumped in because they thought tbere was easy money to be mada in cable. Now they're all losing money and the customers are unhappy."

Not everyone is deterred however. At the weekend Sony Pictures Entertainment, a unit of Japan's Sony, said it would take a 25 per cent stake in Super TV, one of Taiwan's biggest cable broadcasters. Philips, the Dutch electronics concern that is Taiwan's biggest foreign investor, is the only other foreign entrant.

"This investment in Taiwan, the most developed cable television market and one of the largest advertising markets in Asia, is a critical element of our overall strategic plan for [Sony Pictures Entertainment's] presence in Asia," said Jon Feltheimer, president of Columbia TriStar Television Group.

Sony and Super TV plan to produce original programmes to be sold across Chinese language markets and will launcb a new pan-Asian action-adventure channel called AXN.

Sony's announcement followed a decision by the Economics Ministry to revise cable television laws lifting a ceiling on foreign investment from 20 to 49 per cent of domestic cable ventures.

Seventy-five per cent of Taiwan's 5.8m bouseholds are wired to cable – the highest penetration rates in Asia, according to industry experts. But foreign investors face many challenges in this crowded chaotic market.

One of these is the rampant tapping by "customers" into their neighbours' cables. Mr Rybicki estimates that at most two-thirds of subscribers actually pay for their service.

Before legalisation in late 1993, there were at least 600 cabla operators across the island. The number has since dwindled to about 100 due to consolidation and industry experts believe the number could fall to 10 or 20.

The impetus behind buy-outs and mergers is the inability of smaller operators to purchase attractive programming material. In the past, quality foreign programming was free because was simply pulled off the airwaves. Now operators are disgruntled because they have to pay fees.

A big problem is that there is no standard for fee structures in the industry, says Jack Hsiao, vice-president of Cycloria, part of the United Communications group. "The small operators are lowering fees to build their subscriber base, in the bopes of getting a better offer from potential buyers for their network," be says.

Frustrated customers are subjected to constant switching of programmes from one channel to another. Favourite channels are terminated without notice or explanation. "You just feel so helpless," says Martin Chen, a Taipei resident. "If you call to complain, nothing happens. You can switch to a different cable operator but they're all just as bad."

Some of the problems result from clashes between the two dominant cable companies in their rivalry for market share and revenues. They are United Communications, controlled by the Koo family, and Rebar Telecommunications, controlled by the Wang family. Both families run leading business groups and the chairmen are senior figures in the ruling Nationalist party.

Under the cable television law, the island was divided into 51 districts each of which can have a maximum of five cable operators. No minimum was set however and consolidation bas left only one or two operators in many districts. Often those operators are allied with the ona of the two big multi-system operators, Rebar and United, leading, in effect, to a monopoly.

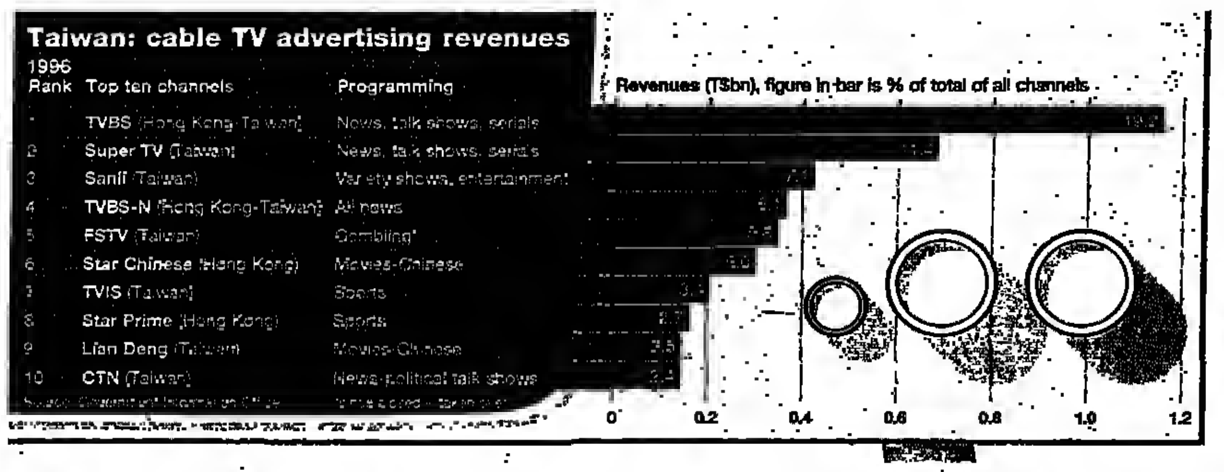
Regulators so far bave been reluctant to intervene, attributing the problems to "market forces". "The current regulations are not very clear," concedes Hung Chong-chuan, of the GIO regulator.

Some industry experts question whether the government has the political will to step in. The aggressive approach of the Rebar group has raised the spectre of a monopoly situation in the future, industry experts say. Rebar now claims one-third of Taiwan cable viewers and Chen Mian-chuan, a vice-president, says it will control 45 per cent of the market by next year.

"We are very concerned and we want to revise the laws to prevent Rebar from taking over the market," says Ms Hung. But she added that the chairman's son, Wang Ling-lin, is a parliamentary legislator and may try to block such changes. "We hope United will fight back and be more competitive."

In the next two years the market will be opened to "direct to home" services, which is expected to net up to half a million customers in the five years after launch.

Laura Tyson



INTERNATIONAL ECONOMIC INDICATORS: MONEY AND FINANCE

This table shows growth rates for the most widely followed measures of narrow and broad money, a representative short- and long-term interest rate series and an average equity market yield. All figures are percentages.

■ UNITED STATES

	Narrow Money (M1)	Broad Money (M2)	Short Interest Rate	Long Interest Rate	Equity Market Yield
1987	11.6	6.5	6.62	8.39	3.12
1988	4.2	5.4	7.65	8.84	3.61
1989	1.0	4.2	8.99	8.50	3.43
1990	3.8	5.5	8.06	8.55	3.60
1991	6.0	3.7	5.87	7.86	3.21
1992	12.4	1.9	3.75	7.00	2.95
1993	11.6	1.1	3.22	5.88	2.78
1994	8.2	1.4	4.67	7.08	2.86
1995	−0.2	2.1	5.93	6.57	2.61
1996	−3.2	4.8	5.41	6.43	2.15
3rd qtr.1996	−3.6	4.4	5.49	6.77	2.20
4th qtr.1996	−4.6	4.7	5.45	6.35	2.02
1st qtr.1997	−3.9	4.8	5.47	6.56	1.87
2nd qtr.1997	−4.9	4.8	5.66	6.69	1.83
Sept. 1996	−4.2	4.3	5.52	6.82	2.16
October	−4.9	4.4	5.43	6.54	2.08
November	−4.7	4.7	5.41	6.18	2.00
December	−4.3	4.9	5.51	6.29	1.99
January 1997	−3.8	5.0	5.47	6.56	1.90
February	−3.5	5.0	5.40	6.42	1.84
March	−4.5	4.6	5.55	6.70	1.87
April	−5.2	4.8	5.71	6.88	1.95
May	−4.9	4.8	5.69	6.70	1.81
June	−4.7	4.8	5.65	6.48	1.73
July	−4.2	4.8	5.58	6.21	1.64
August			5.56	6.32	1.84

■ JAPAN

	Narrow Money (M1)	Broad Money (M2+CDs)	Short Interest Rate	Long Interest Rate	Equity Market Yield
1987	10.5	11.5	4.15	4.64	0.55
1988	8.4	10.4	4.43	4.77	0.54
1989	4.1	10.6	5.31	5.16	0.48
1990	2.8	8.5	7.62	6.90	0.65
1991	5.2	2.0	7.21	6.40	0.75
1992	4.5	−0.4	4.28	5.24	1.00
1993	3.0	1.4	2.83	4.18	0.87
1994	5.4	2.9	2.12	4.20	0.78
1995	8.2	3.2	1.12	3.39	0.86
1996	13.7	3.1	0.48	3.03	0.75
3rd qtr.1996	13.4	3.5	0.51	3.11	0.75
4th qtr.1996	10.6	3.1	0.42	2.82	0.77
1st qtr.1997	9.7	2.6	0.44	2.43	0.88
2nd qtr.1997	8.8	2.8	0.46	2.42	0.83
Sept. 1996	12.2	3.5	0.43	2.91	0.76
October	11.0	3.7	0.43	2.75	0.76
November	10.8	3.3	0.42	2.62	0.77
December	10.0	3.1	0.42	2.48	0.80
January 1997	10.0	3.2	0.44	2.49	0.86
February	9.8	3.0	0.44	2.44	0.88
March	9.3	2.8	0.45	2.36	0.89
April	8.8	3.2	0.44	2.24	0.88
May	9.0	3.1	0.47	2.55	0.81
June	8.4	2.8	0.46	2.48	0.80
July	8.4	3.0	0.54	2.30	0.79
August			0.50	2.13	0.82

■ GERMANY

	Narrow Money (M1)	Broad Money (M3)	Short Interest Rate	Long Interest Rate	Equity Market Yield
1987	9.0	7.3	4.03	6.14	2.21
1988	9.8	6.4	4.34	6.46	2.61
1989	6.3	5.7	7.12	6.90	2.22
1990	4.5	4.5	8.49	3.66	2.11
1991	5.1	5.6	9.25	8.42	2.38
1992	7.1	8.1	9.52	7.80	2.45
1993	9.4	7.8	7.28	6.47	2.11
1994	9.6	9.0	5.36	6.86	1.77
1995	3.7	0.6	4.53	6.82	2.00
1996	10.5	7.5	3.31	6.21	1.81
3rd qtr.1996	10.8	8.2	3.27	5.34	1.81
4th qtr.1996	11.1	8.1	3.18	5.89	1.68
1st qtr.1997	10.3	7.7	3.19	5.72	1.52
2nd qtr.1997	9.2	6.5	3.16	5.82	1.53
Sept. 1996	10.3	7.9	3.12	6.23	1.78
October	11.9	8.2	3.12	6.00	1.73
November	10.0	8.2	3.19	5.86	1.69
December	11.3	7.8	3.23	5.79	1.61
January 1997	11.1	8.7	3.14	5.79	1.55
February	10.1	7.4	3.19	5.58	1.50
March	9.8	7.0	3.26	5.76	1.49
April	9.3	6.5	3.23	5.90	1.60
May	9.3	6.5	3.17	5.80	1.52
June	9.0	6.4	3.14	5.75	1.46
July	8.8	5.2	3.14	5.56	1.33
August			3.26	5.66	1.32

■ FRANCE

	Narrow Money (M1)	Broad Money (M3)	Short Interest Rate	Long Interest Rate	Equity Market Yield
1987	4.1	11.5	8.63	9.46	2.75
1988	3.8	8.3	7.94	9.08	3.69
1989	7.5	10.0	9.40	8.79	2.88
1990	3.8	8.3	10.32	8.92	3.18
1991	−4.9	2.4	8.62	9.03	3.58
1992	−0.2	5.4	10.36	8.57	3.55
1993	1.6	−2.2	8.55	6.75	3.21
1994	2.9	0.7	5.84	7.21	2.99
1995	7.0	4.3	6.60	7.53	3.17
1996	0.4	−3.5	3.94	6.32	3.05
3rd qtr.1996	5.0	−1.0	3.86	6.35	3.18
4th qtr.1996	0.4	−3.5	3.48	5.85	2.92
1st qtr.1997	2.1	−2.8	3.35	5.57	2.63
2nd qtr.1997	8.2	−0.9	3.44	5.72	2.81
Sept. 1996	5.0	−1.0	3.76	6.24	3.13
October	5.0	−0.8	3.51	5.97	3.00
November	7.2	−0.7	3.47	5.84	2.90
December	0.4	−3.5	3.44	5.76	2.85
January 1997	0.8	−3.4	3.35	5.69	2.71
February	1.0	−3.4	3.33	5.39	2.52
March	2.1	−2.8	3.37	5.59	2.63
April	2.8	−1.8	3.40	5.79	2.86
May	2.8	−1.7	3.48	5.70	2.82
June	3.2	−0.9	3.43	5.66	2.76
July			3.39	5.42	2.39
August			3.43	5.53	2.41

■ ITALY

	Narrow Money (M1)	Broad Money (M2)	Short Interest Rate	Long Interest Rate	Equity Market Yield
1987	10.4	9.6	11.32	10.58	1.94
1988	7.6	8.7	11.24	10.54	2.71
1989	7.2	8.2	12.42	11.61	2.46
1990	9.3	10.1	11.98	11.87	2.84
1991	7.3	8.5	11.83	13.20	3.45
1992	6.9	7.7	13.86	13.29	3.53
1993	4.7	7.4	10.22	11.23	2.35
1994	8.6	5.1	8.48	10.56	1.67
1995	0.2	0.4	10.38	12.22	1.72
1996	0.7	3.3	8.75	9.43	2.18
3rd qtr.1996	1.3	4.1	8.59	9.38	2.48
4th qtr.1996	3.4	2.8	7.52	7.89	2.28
1st qtr.1997	7.9		7.29	7.44	1.87
2nd qtr.1997	7.9		6.92	7.39	2.19
Sept. 1996	1.7	3.7	8.39	9.19	2.53
October	2.9	3.5	7.98	8.34	2.33
November	3.8	2.7	7.39	7.72	2.28
December	3.4	2.3	7.18	7.58	2.24
January 1997	6.9		7.20	7.43	1.98
February	8.4		7.29	7.15	1.86
March	8.4		7.39	7.71	2.05
April	8.0		7.09	7.73	2.18
May	7.8		6.83	7.35	2.22
June	8.0		6.85	7.08	2.16
July	9.2		6.87	6.53	1.85
August			6.86	6.67	1.80

■ UNITED KINGDOM

	Narrow Money (M0)	Broad Money (M4)	Short Interest Rate	Long Interest Rate	Equity Market Yield
1987	4.7	15.2	9.77	9.69	3.60
1988	6.8	17.3	10.41	9.62	4.48
1989	5.9	17.5	13.96	10.11	4.36
1990	5.3	16.1	14.82	11.56	5.07
1991	2.4	7.9	11.58	10.08	4.97
1992	2.4	5.1	9.74	9.09	4.91
1993	4.9	3.5	5.99	7.40	4.01
1994	8.4	5.1	5.57	8.31	3.94
1995	5.9	7.3	6.77	8.16	4.15
1996	6.7	10.0	5.17	7.79	4.08
3rd qtr.1996	7.2	9.6	5.63	7.85	4.13
4th qtr.1996	7.3	10.5	6.28	7.54	3.96
1st qtr.1997	6.6	10.8	6.34	7.39	3.70
2nd qtr.1997	6.1	11.2	6.60	7.29	3.74
Sept. 1996	7.0	10.1	5.87	7.81	4.06
October	7.4	10.7	6.02	7.51	4.03
November	7.4	11.0	6.40	7.56	4.01
December	7.0	9.7	6.42	7.55	3.95
January 1997	7.2	10.0	6.41	7.53	3.93
February	6.3	11.2	6.29	7.17	3.73
March	6.4	11.7	6.32	7.44	3.80
April	5.9	10.5	6.48	7.61	3.85
May	6.1	11.4	6.55	7.15	3.66
June	6.2	11.8	6.77	7.10	3.70
July	5.8	12.0	7.07	7.01	3.57
August	5.0		7.25	7.05	3.45

Monetary growth rates: show the percentage change over the corresponding period in the previous year, and are positive unless otherwise stated. All growth rates refer to the seasonally adjusted series except for Japan and Italy. German monetary statistics now form a continuous pan-German series. Monetary data supplied by Datastream and WEFA from central bank sources. Interest rates: short-term, period averages of US – 90-day commercial paper, Japan – 3-month certificates of deposit, Germany – 3-month Fibor, France – 3-month Pibor, Italy – 3-month Euro-lira, UK – 3-month Libor; long-term, period average yields on 10-year benchmark government bonds. Interest rates supplied by Datastream. Equity market yield: period averages of the gross dividend yield on the relevant FT-A world index.

The spirit of bipartisan consensus is set to disappear in the new session

Back to the old ways for Congress

Congress has enjoyed its annual August holiday more than usual this year, bathed in both the normal sunshine and the rarer glow of legislative success emanating from the historic balanced budget agreement.

That end-of-session triumph allowed Republicans and Democrats to claim victory before disappearing to the beach, the former for the first substantial tax cuts in over a decade, and the latter for concrete plans to erase the public deficit by 2002.

On the return of the Senate today and the House tomorrow, howaver, the spirit of bipartisan consensus is likely to dissipate rapidly – particularly once President Bill Clinton comes back from his own extended break this weekend.

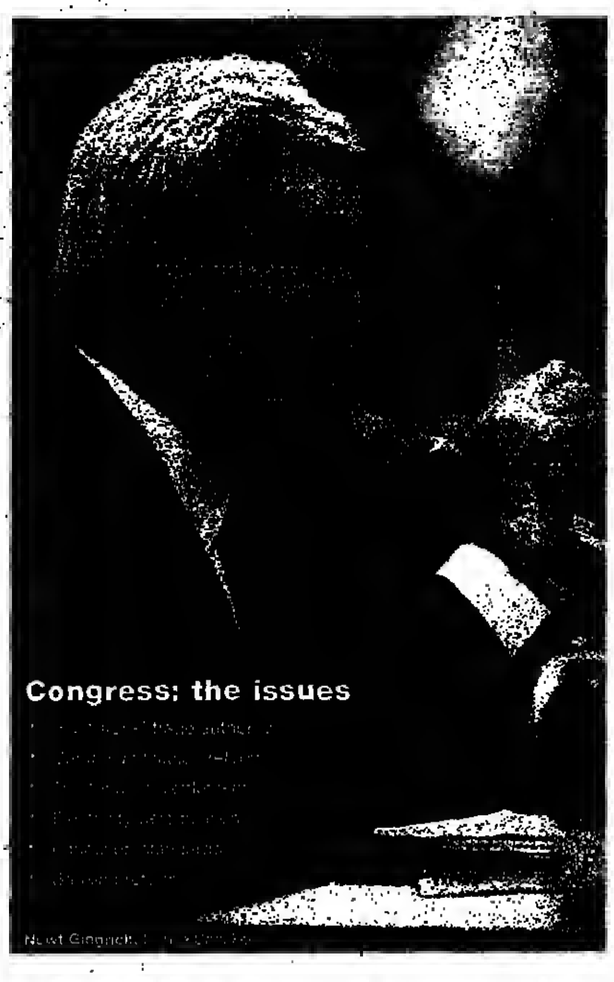
Republicans will be keen to renew attacks on Democratic fundraising practices in last year's elections, while Democrats will be watching closely to see whether Newt Gingrich, the embattled House speaker, can restamp his authority on an increasingly restive party. Meanwhile, both houses will be facing off against the president on trade and other issues, while tackling contentious legislative debates ranging from the tobacco settlement to electricity deregulation.

First, however, is the traditional appropriations round, which needs to be completed prior to the completion of the fiscal year at tbe end of the month. Although the eight outstanding bills should be navigated through Congress conventionally enough, their final shape will be scrutinised much more closely than usual given the president's new line-item veto.

Mr Clinton experimented with his power to kill individual items from legislation shortly before leaving on holiday last month, striking out three minor sections from the budget agreement.

While the measure's constitutionality has yet to be tested in court, he should prove more brutal with the traditionally pork-laden appropriations bills. He is also likely to oppose planned Republican spending cuts in pet areas auch as the National Endowment for the Arts and Americorps, his community service project for young people.

At the top of the president's agenda, however, is a controversial drive to persuade Congress to grant the administration "fast-track" authority to negotiate new multilateral trade agreements. Mr Clinton has repeatedly emphasised this is an area he is keen to move quickly on as it would allow him to carry out long-delayed trade talks with Latin America.



But many Democrats, particularly Richard Gephardt, house minority leader and a probabla presidential candidate in 2000, are strongly opposed to sueb a move, arguing that the 1993 North American Free Trade Agreement with Mexico and Canada should first be modified to give more emphasis to labour and environmental issues. The president is also planning to take on Republicans by pushing plans for naw national educational qualifications in schools.

But the sharpest clashes between the administration and Congress could well be in the appointments process. Mr Clinton is seeking to fill a wide range of political, regulatory and ambassadorial posts, the most contentious of which will be his attempt to appoint William Weld, the former Republican governor of Massachusetts, as the new US ambassador to Mexico.

Jesse Helms, the hardline North Carolina senator, has threatened to use his prerogative as chairman of the Senate foreign relations committee to deny Mr Weld a hearing – which would in effect kill off his nomination – on the grounds thet he is "soft" on drugs. However, Richard Lugar, a more moderate senator on the same committee, has given his backing to the former governor, potentially setting up an unusual public battle between two wings of the Republican party.

Other internecine problems for the Republicans are likely to re-emerge in the House, where Mr Gingrich was recently forced to fight off an attempt to unseat him by several sanior aides because of his newfound willingness to compromise on conservative principles.

Tbe slimmed-down speaker has spent most of August trying to resurrect his public image and political authority by defending his position on late night television talk shows and at conferences, but whether he can regain the trust of the party faithful remains to be seen.

To deflect attention from their own problems, Republicans will be hoping that the lacklustre Senate hearings on campaign finance abuses in last year's elections – soon to be supplemented by a similar House panel – may yet stumble upon damning new revelations that force the appointment of a special prosecutor.

Should such information emerge, it could also give new impetus to proposed campaign finance reforms, whicb have conveniently stalled in the traditional legislative logjam. Other key areas where lawmakers hope to make progress are plans to deregulate tha national electricity industry, the proposed $368.5bn tobacco settlement, and the perennial attempt to dismantle the 1933 Glass-Steagall Act, which separates banks from insurers and securities firms.

The odds that these initiatives will receive legislative approval currently look no better than even. But passage of any could prove at least as lasting a legacy of the current Congress as the balanced budgat, whicb many economists fear may ultimately follow the summer sunshine, disappearing rapidly after 2002.

Mark Suzman

Mexican PRI steps uneasily into future

By Daniel Dombey in Mexico City

The first opposition dominated Congress in Mexico's history formally began its sessions yesterday after a weekend of political manoeuvres that at times seemed they might plunge the legislature into crisis.

Late last night President Ernesto Zedillo was set to deliver his state of the nation address, the speech which has been the centre of much of the controversy. Observers agreed his ruling Institutional Revolutionary Party (PRI) had come off the loser from the last few day's politicking.

"The PRI adopted unsustainable tactics, which demoralised its members and united the opposition," said Guillermo Valdés, an analyst at GEA, a Mexico City think-tank.

"But the party has finally realised that it is in the minority. Now it is up to the executive to make the same realisation and work out how it is going to get its agenda through Congress," be said.

While the PRI retains control over the country's Senate, it has only 239 of 500 seats in the more powerful Chamber of Deputies. The other deputies are in an alliance of four ideologically diverse groups.

The spectacle of a legislative crisis briefly appeared wben the PRI refused to accept the process in which opposition deputies were sworn in and in which the new Congress's chief officers were elected.

PRI threats to install its own alternative Congress evaporated when it was unable to tempt any deputies away from the opposition block. It also retreated on suggestions that it would not send its senators to President Zedillo's speech, a step which would hava denied Congress of the quorum needed to begin sessions.

The PRI subsequently recognised opposition control over the internal offices and institutions of the House of Congress, including the right of veteran opposition politician Porfirio Muñoz Ledo formally to respond to the president's speech yesterday.

Mr Muñoz Ledo, a volubla foe whose appointment the government had tried to veto, was chosen to deliver the response in his capacity as Speaker of the Chamber of Deputies, a rotating post he holds for a month.

As a result of tha conflict, President Zedillo's speech was changed to late last night from its original timing of early yesterday morning.

AMERICAS NEWS DIGEST

Breakthrough on telecoms in Colombia

The Colombian government yesterday announced the rigorous conditions under which new operators will be able to enter the long distance and international telephone market to compete with the nation's state carrier, Telecom.

The long-awaited resolution marks the end of Telecom's monopoly of both long distance and international calls in a market worth about $1.5bn a year.

It ends six years of attempts by the government to liberalise one of Latin America's last "closed" telecommunications markets. A serious of changes at the top of the ministry of telecommunications and a powerful telecom union had frustrated international companies' efforts to participate in the sector.

In theory, the government resolution allows any telephone operator to enter the long distance market. But the government believes the conditions stipulated, including demands that any entrant hold at least 150,000 lines in tha country and put up a 10-year licence fee of approximately $200m, will limit the number of new companies to between four and five. *Adam Thomson, Bogota*

■ PERU ELECTION

Economy minister in alliance

Carlos Boloña, the Peruvian economy minister responsible for the country's sweeping programme of structural reforms in 1991 and 1992, has entered into a political alliance aimed at winning the general election in 2000.

The move revolves around the creation of a "centrist alternative" in alliance with Rafael Rey and José Barba Caballero. The aim is to consolidate the economic reforms of the Fujimori administration but add firmer respect for the law and for institutions. Mr Rafael Rey, a member of Opus Dei, leads the new right-of-centre Renovacion, while Mr Barba Caballero's political roots are in the much discredited leftwing Apra party. All three say no decision has been taken over which, if any, of them might be possible presidential candidates. *Sally Bowen, Lima*

■ PERU AIR CRASH

Setback for tourist industry

A weekend air crash in which ten European tourists and two Peruvian pilots lost their lives has cast yet another black mark against Peru's air safety record and delivered another body blow to the slowly recovering national tourist industry.

Like tens of thousands of visitors to Peru each year, the five Germans and five Italians travelled south of Lima to examine the mysterious Nazca lines, huge figures etched into the costal desert and properly visible only from the air. They died when the two small aircraft wheeling over the giant motifs – mostly stylised animals and geometric shapes – collided in mid-air. Both of Peru's airlines whicb offer international passenger services, Aeroepru and Faucett, have bad serious crashes in the past 18 months. *Sally Bowen, Lima*

DEATH OF DIANA, PRINCESS OF WALES

■ THE FUNERAL – By Liam Halligan

Ceremony to reflect affection of the people

Buckingham Palace yesterday announced that the funeral of Diana, Princess of Wales, will take place on Saturday morning at Westminster Abbey, following a procession of her coffin through central London. The Princess will then be buried at the Spencer family home at Althorp, Northants.

As tens of thousands of mourners grieved outside Diana's Kensington Palace home, and political parties announced a moratorium on campaigning for the upcoming Scottish and Welsh referendums, the government stressed the need for a "people's funeral", involving members of the general public.

"There will be dignity, ceremony and tradition, but the outpouring of grief reflects the affection people had for Diana, and the funeral should reflect that," said Downing Street.

"This should not be just a formal gathering of the great and the good. It won't be an event to which all countries must send a delegate."

Buckingham Palace said the Westminster service, while not a full state funeral, would be "a unique funeral for a unique person".

"Although there is no lying in state, we want to ensure that as many of the public who wish to can share in the grieving."

Mourners queued for hours to sign four books of condolence which were opened at St James's Palace, where Diana's coffin was taken yesterday, and will remain until Saturday morning.

The condolence books, the first to be opened at a royal palace in recent times, will remain accessible to the public around the clock until midnight on Friday.

At Kensington Palace, the Princess's London home, and Buckingham Palace, mourners continued to gather leaving floral tributes, poems and messages scribbled on scraps of paper.

There were tributes as well outside Harrods, the department store owned by Mohamed Fayed, whose son, Dodi died with Diana in the car crash in Paris on Sunday morning.

Mr Fayed was buried on Sunday night, in accordance with Muslim tradition, in a Surrey cemetery after a service at a central London mosque attended by his distraught father.

Invitations for the Westminster Abbey service will be sent to about 2,000 people, Buckingham Palace said, some of whom are expected to represent the numerous charities of which the Princess was patron. The service is expected to be televised.

Amid calls for a nationwide two-minute silence at 11am on Saturday to mark the start of the funeral service, the Sainsbury and Tesco supermarket chains said they would not open on Saturday until after the funeral. The National Trust will close all its houses, shops and restaurants on Saturday until 3pm and the British Bankers' Association is recommending its members close on Saturday.

The National Lottery will take place on Sunday instead of Saturday and will not be televised. Saturday's NatWest Trophy cricket final between Essex and Warwickshire at Lord's has been put back to Sunday, and officials are considering a postponement of the World Cup qualifying soccer match between Scotland and Belarus, scheduled in Aberdeen for the same day.

Saturday's English Rugby programme could be postponed, and a decision is due on whether horse race meetings should go ahead.

Traders and employees of the London Stock Exchange and Liffe, the futures exchange, observed a minute's silence yesterday at 11am and the stock exchange issued a press release to its 220 members asking them to do the same.

The Spencer Chapel, where Diana will be laid to rest, is at St Mary the Virgin church in Great Brington, Northamptonshire. The church will host a small private funeral following the London service.

Not all members of the royal family will attend the interment.

PA News

Thousands of mourners thronged to the gates of Buckingham Palace yesterday to pay tribute with flowers and cards

■ CRASH DETAILS EMERGE – By Jimmy Burns

Chauffeur's alcohol levels may exonerate paparazzi

Allegations that a ferocious hot pursuit by paparazzi to the bitter end was the cause of Diana's death were being questioned last night as new details about the crash began to emerge.

The tragic events leading up to the crash began with Diana and her companion Dodi Fayed devising a strategy for evading several freelance photographers. It is understood that they were under contract for some of the world's picture agencies to take exclusive photographs that would confirm to the world the intimate nature of their relationship.

On Saturday night, after dinner at the Paris Ritz hotel, which is owned by Dodi's father, Mohammed Fayed, Dodi's regular chauffeur was told to drive his car to a separate residence in the hope of luring away the photographers. At least one other "decoy" was used in the form of a separate vehicle.

A small group of photographers nevertheless identified the car in which Diana and Dodi were travelling and began to follow it. It had been easily out-distanced as the moment of the fatal crash approached.

Friends of the seven photographers detained by French police near the scene of the crash insisted that none of them were sufficiently close to the car to force it to swerve or accelerate as earlier reports suggested.

At the same time the Paris prosecutor's office revealed that the driver of the car had an "illegal" level of alcohol in his bloodstream at the time of the accident.

The driver was named by Harrods, owned by Mr Mohamed Fayed, as Henri Paul.

Mr Paul, 41, a former French Navy officer, had been a security guard at the Ritz Hotel for 11 years. He was not Dodi Fayed's normal chauffeur. He was well known to local photographers, both as a source and as a drinker.

The driver appears to have lost control after entering an underpass at high speed below the Pont de L'Alma.

According to friends of the photographers, they were outside the underpass when the crash took place. They abandoned their motorcycles when they heard the crash and then ran to the scene of the wreckage, where they began to take pictures.

It would appear that the original assignment of the photographers was to follow Diana and Dodi Fayed to a small hotel owned by the son of the Harrods proprietor, and that once they were there they would take pictures of the secret liaison.

The driver involved in the fatal crash is thought to have been the number two security man at the Ritz hotel, although not a full-time chauffeur.

Mercedes-Benz confirmed yesterday that the car involved in the fatal crash was an armoured vehicle which, because of its extra weight, requires handling by an experienced driver.

Analysis of the driver's blood indicated that he had 1.75 grammes of alcohol per litre of blood, compared with the legal limit of 0.5 grammes per litre, according to the prosecutor's office.

Commenting on the reading, the Royal Automobile Club, the British road rescue organisation, said: "This meant that he would have been over twice the UK limit and would have meant he would have drunk the equivalent of at least a bottle of wine."

The RAC added: "In this situation, the driver would have had no chance of controlling a big car at high speed."

Paris police have indicated that the grounds on which they are investigating the detained photographers is that they did not immediately extend help to the victims of the crash, choosing instead to go on taking pictures.

"The investigation has allowed [us] to determine in a more precise manner the behaviour of certain people who did not give the aid and assistance normally required in case of an accident on a public road," the prosecutor's office said in a statement.

France has a "Good Samaritan" law that makes it a criminal offence to fail to help someone in danger.

Police were thought to be examining images from some 20 rolls of film confiscated from the photographers, hoping it would provide clues to the cause of the crash.

The prosecutor's office added it was still hoping to interview Diana's bodyguard, Trevor Rees-Jones, who survived the crash, but said this was not yet possible because of his condition.

■ AUSTRALIAN DICHOTOMY

A wave of grief but monarchy debate goes on

By Elizabeth Robinson in Sydney

The death of Diana, Princess of Wales, has highlighted the dichotomy of Australia's relationship with the monarchy. The country has joined the UK in grief: flags are at half-mast, memorial services have been held and both houses of parliament in Canberra suspended proceedings for an hour out of respect.

The airwaves fondly remember the five visits "Dinky Di" made to the country. But with more than 60 per cent of Australians in favour of a republic, and many more believing it is inevitable, a sense of duty to the "old country" has played little part in the outpouring of sympathy. Both monarchists and republicans expressed grief, but agreed that the death of one of the most popular royal figures in Australia would not alter the debate on the country's constitution and its relationship to the British monarchy.

"The move to a republic does not have very much to do with the royal family and monarchy in the UK," said Wayne Burns of the Australian Republican Movement. "It is more to do with institutions here in Australia."

He conceded that given the mood of sympathy in Australia following Diana's death, it was "not too good for us to be out there in the public at the moment".

The momentum accelerated last week when the Senate gave the go-ahead for a convention to debate the constitution next April or June. Some 150 delegates will attend, and if they reach a consensus on replacing the Queen as head of state, a referendum will be put to Australians by 2000.

Half the delegates will be appointed by the government and over the weekend John Howard, the prime minister, unveiled the 36 non-parliamentary names to attend. Kim Beazley, leader of the opposition, said he would reserve judgment until after studying the names but was disappointed not to have more of his party's nominations on the list.

Mr Burns, who pointed out that Mr Howard's selection could not be challenged, said that with the death of the princess his movement had not had a chance to examine the list over the weekend. But he welcomed the fact that "at least we have a process to go forward".

Flying the union flag is Kerry Jones, executive director of Australians for a Constitutional Monarchy. "Diana was never central to the debate about a continuing constitutional monarchy," she said, but the time of her death was "extraordinary", given the go-ahead for the convention. "Only the Queen has a role in the Australian system of government," she said, "but this [Diana's death] draws attention to the guarantees we have now of a system that is above politics."

Australians will have the chance in November to vote for half the delegates to attend the convention, with the balance of delegates being parliamentarians or appointed by the states.

Ms Jones said her movement was ready for a "huge campaign" for the ballot, but it was too early to tell if Diana's death would have any effect. Although Ms Jones predicted that there would be a wave of sympathy from Australia where Diana was held in great affection, that was unlikely to become an issue in the constitutional debate.

Mr Burns agreed, saying: "The whole republican debate has had nothing to do with animosity or ill-feeling towards the royal family."

■ MEDIA – By Richard Adams

Editors called to urgent discussions

The Press Complaints Commission yesterday said it had begun "urgent discussions" with British newspaper editors over the use of freelance photographers, in the wake of the death of Diana, *Princess of Wales*.

The call by Lord Wakeham, the commission's chairman, came as Bild Zeitung, Germany's 4m circulation newspaper, yesterday published a front-page photograph of rescuers trying to get into the wrecked car.

The photograph, taken a few yards from the undamaged back of the car, shows what could be one or two slumped bodies, but their features are not recognisable. Only what seem to be the backs of their heads are visible.

Lord Wakeham said he would try to assess the difficulties involved in dealing with international photographers and publications. A French agency is trying to sell pictures of Diana taken after the fatal crash, for about $1m (£625,000).

The pictures were taken by a Paris-based photographer working for the agency, who evaded arrest by the police and escaped from the scene of the crash. Other pictures taken at the scene were confiscated by French police.

In Spain, Jose Calahuig, deputy editor of the mass circulation Interviu magazine, said he would wait until the pictures were offered.

"We have not been offered them. But if we were, we would think seriously about publishing them," Mr Calahuig said.

Stern, Germany's biggest circulation magazine, said it had taken a decision not to publish pictures of Diana in the wreck.

"I believe that no one wants to see these pictures published. It would be bad taste to do so," Volkar Lensch, the magazine's picture editor said.

Helmut Wolf, picture editor of Bunte, a glossy German magazine, said: "Readers don't usually like seeing dead or dying people."

Voici and Gala, the two weekly French celebrity magazines owned by Axel Ganz of Germany, which are preparing lengthy special editions, said they would not carry pictures of the accident.

Mike Jempson, a director of PressWise, a UK media ethics watchdog, said: "We hope that all newspaper editors and TV companies will refuse to purchase or publish photographs of the last moments of Princess Diana's life taken at the scene of the accident."

PressWise has called for a boycott of national newspapers on September 6, the day of Diana's funeral.

But yesterday the UK public showed no loss of its appetite for tabloid newspapers.

Tabloid newspapers have been the most conspicuous employers of paparazzi – photographers who snap the rich and famous.

Newsagents yesterday reported few signs of any backlash against the tabloids by the public. Most said there was strong demand for all newspapers.

Parthiv Patel, a newsagent on Borough High Street in south London, said: "There isn't any comment by customers. It's just like as normal, except that we've sold more papers in total."

The national daily newspapers all produced special editions commemorating the Princess of Wales's life.

Newsagents reported that customers were often buying two or three different titles.

The Press Complaints Commission said it was important to wait for the outcome of the French police's investigation of the car accident before making any further comments.

However, Lord Wakeham said: "We can, and must, think very seriously about the problems caused by international paparazzi photographers, which the accident has so dreadfully highlighted.

"I have, therefore, begun urgent discussions with editors across the industry to see what might be done to tackle this problem."

Additional reporting by Andrew Jack in Paris, and Gautam Malkani and Jimmy Burns in London.

■ FRENCH REACTION – By Andrew Jack

Remorse and reflection in Paris press

The French press was torn yesterday between remorse at the sudden death in Paris of Diana, Princess of Wales, and reflection upon the responsibilities of journalists in creating and destroying a favourite media prey.

While the British newspapers devoted innumerable pages to the subject, their Gallic counterparts were not far behind. Radio and television news bulletins continued to be dominated by the follow-up to the car crash, and it was the lead story in all the national newspapers.

Both Libération, the left-wing daily, and Le Parisien carried 11 pages, while the rightwing Le Figaro devoted the front and back pages and a three-page centre-spread. The afternoon paper Le Monde had a further seven pages.

Even L'Humanité, the Communist party's paper, had five pages of coverage, although it refused to publish any photographs of the accident "taken in circumstances at the very least controversial . . . [and which] do not seem to us to be a useful contribution".

The other newspapers did not hold back, carrying images already widely shown on television since Sunday of the wreckage of the Mercedes which hit a pillar in the traffic underpass by the Pont de l'Alma in central Paris.

Political pressure for greater control over the paparazzi intensified yesterday. Ms Catherine Trautmann, the government's spokeswoman, argued on French television for a code of conduct for the press to operate within "limits of decency", and Mr Pierre Mauroy, the former socialist prime minister, said judges should apply the country's existing tough privacy laws with greater rigour.

The French national journalists' union criticised the "hunting of stars" which it said bore no relation to its definition of journalism. However, most newspaper commentators were more reluctant to make such judgments.

Pierre Georges, a columnist for Le Monde, reflected a widespread view that the remorse over Diana's death was itself a sign of the huge appetite for snatched images of her.

"We are nearly all glued to the paparazzi's viewfinder," he wrote. "See, and condemn of course. But see first, and condemn afterwards."

■ DEVOLUTION

Activities put on hold until after funeral

By James Buxton

Campaigns for and against Scotland gaining its own tax-raising parliament are to be compressed into four days next week, with the decision by both sides to cease political activity until after the funeral of Diana Princess of Wales on Saturday.

The campaign on government proposals for a Welsh assembly has also been suspended. The government, the Yes for Wales campaign and the Just Say No campaign have cancelled all events planned for this week as a mark of respect to Diana. The campaigns will resume on Monday.

The Scottish referendum will go ahead as planned on September 11 and the Welsh vote will take place on September 18. The government has been told by officials that to postpone it would need legislation in the form of an Act of Parliament.

In the referendum, people in Scotland will be asked if they want to have a Scottish parliament and whether it should be given the power to "vary" taxes. The referendum in Wales on whether an assembly without tax powers should be set up will take place as planned on September 18.

The Scottish National party said national campaigning events had been cancelled. The Scottish Conservative party said no political activity would take place, including private meetings. However, the SNP said the delivery of referendum leaflets to people's homes would continue.

The referendum campaign has been relatively inconspicuous so far. The last opinion poll, taken nearly two weeks ago, showed 68 per cent in favour of a Scottish parliament with 21 per cent against, while 11 per cent did not knows.

Some 56 per cent wanted the assembly to have tax-raising powers, with 36 per cent against, while eight per cent did not know. However, some senior figures on the pro-devolution side have privately expressed their concern that there might not be a high enough turnout on polling day to constitute a convincing endorsement of devolution.

They also fear that recent warnings by business figures against the parliament having tax raising powers may diminish or even wipe out the majority in favour of taxation.

Tony Blair, the prime minister, was to have spoken at a rally on Friday, while Gordon Brown, the chancellor, and Robin Cook, the foreign secretary, were to have campaigned this week. William Hague, the Conservative leader, was to have visited Scotland yesterday and today.

The Yes camp say a week without campaigning will be more damaging to the supporters of a No vote because they are so far behind. Meanwhile, Llew Smith, the anti-devolutionist MP for Blaenau Gwent, attacked the assembly as unnecessary and claimed the government was wasting money in its campaign.

Mr Smith stepped up his attack on the planned assembly in an article written before Diana's death and published yesterday in The House, an independent weekly Parliamentary publication.

Mr Smith wrote that Ron Davies, the Secretary of State for Wales, could have made the organisations which spend public money in Wales more accountable by simply abolishing quangoes. Mr Smith wrote: "If he [Mr Davies] was serious about making a bonfire of the quangoes, then it could have been achieved quite easily by repealing the legislation that created them in the House of Commons."

Mr Smith has been critical of the white paper on the assembly. Yesterday he attacked the summary version of the document, which has been sent to every household in Wales. "So terrified is the Secretary of State of a No vote that he is spending an amount approaching £1m of taxpayers money on what is nothing more than a propaganda exercise to convince the electorate of the validity of this idea," he wrote.

The Wales Labour Party refused to comment on Mr Smith's remarks.

Gulf veterans win lawsuit deal

By Robert Rice, Legal Correspondent

Lawyers acting for 1,300 alleged victims of Gulf War Syndrome have negotiated a unique agreement with insurers, which will allow UK veterans of the 1991 campaign against Iraq to sue the Ministry of Defence. More than 50,000 UK troops served in the campaign.

Under the agreement negotiated by Donns, a Manchester law firm, veterans will be insured against having to pay the ministry's legal bills if they lose their court battle. Donns is to act for the veterans on a "no win, no fee" basis.

The combination of a conditional fee arrangement and legal expenses insurance has been used hundreds of times in individual cases since the law was relaxed last year to allow "no win, no fee" arrangements in personal injury cases. But this is the first time it has been negotiated for a group action.

Hilary Meredith, the Donns' partner co-ordinating Gulf War cases, says the scheme should enable the veterans' cases to go ahead. Lack of legal aid funding and fear of costs had prevented many veterans suing.

"We've had a big problem with the funding of these cases. This arrangement will enable us to control the speed of tha actions, knowing that clients are at no risk on costs," she said.

The firm began its search for an insurer to underwrite the costs of a group action in May. It took several months of negotiations to persuade insurers the cases were a risk worth backing.

Under the agreement reached last week through brokers Abbey Legal Protection, veterans have until October 1 to sign up for the scheme. Donns hopes to persuade as many veterans as possible to join to keep the individual premium down to a manageable level.

The firm calculates that, if 700 veterans signed up, the individual insurance premium would be about £800, which could be paid in instalments. The priority would be to identify about 20 lead cases to take forward. The defence ministry has conceded that if liability is established in these cases, all cases falling in a particular group would be entitled to damages without proving ministry negligence.

Because of the many symptoms and possible causes of Gulf War Syndrome, Donns will concentrate on cases said to be caused by exposure to organo-phosphate insecticides or by a combination of multiple vaccinations and anti-nerve gas pills.

Donns was encouraged by a recent Hong Kong court ruling against Ciba Geigy, the pharmaceuticals group, which accepted long-term damage can result from a one-off acute exposure to organo-phosphates.

Pressure in parliament leads to action

■ 1995 Nov: House of Commons defence committee attacks refusal of Conservative government to investigate Gulf War Syndrome; contrasts "compassion" of US government with "scepticism, defensiveness and general torpor" of UK defence ministry

■ 1996 Jan: Ministry announces study by seven doctors of claims by UK members of the coalition forces that their children suffered a high rate of serious birth defects. Armed forces minister Nicholas Soames denies yielding to pressure from MPs

■ Oct: Defence ministry admits there may be a link between a pesticide used in the Gulf War and illness among veterans

■ Dec: Ministry announces study comparing health of 6,000 Gulf veterans and 6,000 troops who did not serve there

■ 1997 Feb: Soames admits misleading parliament in mid 1990s about amount of pesticides used in Gulf; blames officials for giving bad advice. Defence committee condemns state of military medical services

■ May: New Labour government announces investigation

■ July: Investigation widened

Cook says better balance has been achieved between morality and commerce

Malcolm Watson

More than 60 demonstrators were arrested yesterday at the Royal Navy and British Army Equipment Exhibition at Farnborough to the south-west of London, Britain's biggest annual arms fair. The Campaign Against the Arms Trade, organiser of the protest by about 1,000 people, accused the government of inviting countries with poor human rights records. Rachel Harford, joint co-ordinator of the campaign, said: "They should not be hosting an arms fair like this at which there are delegations from well documented human rights abusing countries, such as China, Turkey and Saudi Arabia."

Foreign minister claims Asia success

By David Buchan in Singapore

Robin Cook, the foreign secretary, yesterday concluded his Asian tour by claiming success in achieving a better balance between morality and commerce in Britain's – and even Europe's – relationship with the region.

Some of his Asian hosts were less enthusiastic about the position adopted by the Labour government, with its emphasis on human rights. Ministers in Malaysia, Indonesia and Singapore all made clear that they regarded their Asian values – putting greater weight on communal economic improvements than on individual political freedoms – as more relevant. Only in the more western-oriented Philippines did Domingo Siazon, the Jesuit-educated foreign minister, openly agree with Mr Cook's call for respect of the United Nations Universal Declaration on Human Rights.

But aven in Indonesia, with the worst human rights abuses in the region, Mr Cook managed to reach an ambiguous accommodation that might help produce a settlement in the East Timor dispute. This would in turn make Britain feel more comfortable in continuing to be Indonesia's biggest arms supplier.

Mr Cook dressed up his human rights proposals as a "partnership" with tha Jakarta authorities.

Thesa proposals involva sending UK police to lecture their Indonesian counterparts on "modern policing mathods" and giving computers and books to human rights and legal aid groups.

Ali Alatas, the Indonesian foreign minister, said he had no objection. He may be banking on the fact that the £2,000 ($3,260) worth of political science books donated by Mr Cook to the Jakarta Human Rights Commission – including works by John Locke, John Stuart Mill and Karl Popper – were all in English and thus unlikely to attract a mass readership. Likewise, Britain's plan next spring to use its presidency of the European Union to send a team of EU ambassadors to East Timor for the first time could play into Indonesian hands.

Mr Cook said "great care" would be taken to ensure the EU visit "does not confer legitimacy" on Indonesian sovereignty over East Timor, which the EU has never recognised.

> 'Our new influence in Europe makes us more useful than before to our friends outside Europe'

Though Mr Cook was not so crude as to talk of leverage, he stressed the fact that the UK is the biggest European investor throughout the region – in direct investment as well as the portfolio investment that has shrunk with the stock market falls of recent days.

Indonesia has not been the only recipient of UK defence equipment. Three of Hong Kong's patrol boats have been sold on to the Philippines at a bargain price that has whetted Manila's appetite for more. UK forces took part this summer in the regional "Ocean Wave" exercise as part of Britain's defence agreement with Malaysia and Singapore.

Robin Cook speaking in Singapore yesterday

In addition, Mr Cook made much of Britain's closer relationship with its EU partners. "Our new strength and influence in Europe makes us more useful than before to our friends outside Europe," he said, referring to the openness of the EU to Asian imports. Part of this influence comes from the chance fact that Britain will host the next Asia-Europe Meeting (Asem).

This is doubly fortuitous because London originally opposed Asem, born out of a proposal put by Singapore to France for the EU to broaden its Asian dialogue beyond the Association of South East Asian Nations (Asean).

The initial British reaction to the idea was along the lines of "we don't need Singapore to introduce us to Asia". But London changed its tune by the time of the first Asem meeting last year in Bangkok.

Martin Wolf, Editorial comment and Observer, Page 15

Space for trading rooms scarce in City

By Norma Cohen, Property Correspondent

Greycoat, the property company, plans to demolish Moor House, one of its main properties in the City of London, and replace it with a building with three times the available office space.

The company will shortly announce the results of an architectural competition for a replacement building with 27,000 sq m of office space. Greycoat intends to find a tenant to "pre-let" the building for a long-term guaranteed rental.

DTZ Dabenham Thorpe, the firm of international property advisers, says current availability of City office space stands at 450,000 sq m, the lowest level this decade. In particularly short supply, DTZ notes, are high quality lettings of more than 9,000 sq m.

The Greycoat move comes amid growing demand for large-scale air conditioned office space suitable for international bank trading rooms.

The recent expansion of non-UK banks into London, partly through acquisition of existing British institutions, has greatly expanded the amount of capital available to back securities trading activities.

These banks, such as Merrill Lynch, which recently agreed to pre-let 54,000 sq m in the City of London, require space with larga floor plates which can bs easily movsd to accommodate their trading activities. WestDeutsche Landesbank is understood to be discussing a pre-let of more than 27,000 sq m of space in the redevelopment of Paternoster Square, adjacent to St. Paul's Cathedral, for which plans are to be unveiled shortly.

Greycoat is understood to be in talks with several financial institutions about a pre-let of its Moor House site, a local landmark.

Glaxo sucked into fight to save endangered species

> The pharmaceutical group may sponsor the unloved but useful leech, says George Parker

The endangered medicinal leech may have found a new friend in the commercial sector, with Glaxo Wellcome set to help save the creature from extinction in the UK.

The blood-sucking creature, still used by doctors to prevent blood clotting, is found in only a few dank places around the UK, including two lochs (lakes) in the west of Scotland.

The pharmaceutical company is the latest to sign up for the government's initiative to find private sector "champions" to protect 116 endangered species throughout the UK.

The Financial Times reported in June that ministers were having little trouble in finding sponsors for furry mammals, but that creatures such as the leech, the depressed river mussel and the glutinous snail were proving less attractive.

The government's Department of Environment, Transport and Regions said the report triggered a wave of interest from companies and that it hoped to announce new sponsorship deals shortly.

Glaxo Wellcome said it was "very keen" to finance action plans to help endangered species, and that its appeals committee would decide within the next two months which to support.

"Species with a medical link would clearly be of interest to us, and the leech clearly falls into that category," tha company said.

The group could become the official sponsor of the leech for just £18,000 ($29,340) a year, which would help to identify where the creature lives and what conditions it needs to flourish. The leech is still used as an anti-coagulant to keep blood flowing during surgery.

Scientists believe climate and environmental change may be to blame for its recent decline. The state health service uses purpose-bred leeches.

The environment department already has sponsors for two butterflies, the skylark and the water vole, but says it is still desperate for backers for less fashionable creatures and plants. "Predictably it is the birds, mammals and flowering plants which have attracted the most interest," a department official said.

Lord Montagu of Beaulieu has led the way by sponsoring the dung beetle, but species such as the robber fly and mountain scurvy grass are among those with no takers.

Ministers are keen to involve more Scottish companies in the biodiversity project, because many species are found only in that area of the UK.

The Royal Society for the Protection of Birds said it was encouraged by the response of companies, but that more needed to be done. It is organising a conference this month to discuss ways of taking the initiative forward.

UK NEWS DIGEST

Further win for Lloyd's in US

Lloyd's of London has won another legal tussle with dissident Names in the United States who were trying to sue the insurance market for fraud. An appeals court in New Orleans ruled that Names' contractual obligations meant they would have to fight Lloyd's in English courts. The Names had sought to establish that their contracts with Lloyd's, under which they waived rights to sue it in the US, violate the securities laws of that country. If that were true, they would be able to begin fraud action against Lloyd's in the US.

"Contractual undertakings of this kind are very common in international trade. The weight of judicial opinion supporting the enforceability of such contracts is now very considerable," said Peter Lane, managing director of Lloyd's North America.

Another appeals court in San Francisco is to rehear a similar case next month. *Christopher Adams*

■ LAW FIRMS

Arthur Andersen network expands

Dundas & Wilson, one of Scotland's biggest law firms, has joined the legal network of Arthur Andersen, the accountants. The arrangement means Arthur Andersen now has a significant legal presence in both England and Scotland. Under the deal, Dundas & Wilson will amalgamate with Dorman Jeffrey, a smaller Scotland-based firm of corporate lawyers that joined Arthur Andersen's network in January last year.

In England, Cooper Snedden, Dundas' English associate, will merge with Garrett & Co, the commercial law firm set up under Arthur Andersen's wing in 1993.

The move by Andersen is part of the accountant's wider strategy to build up its legal services capability worldwide. The international legal market was shocked in September last year when Andersen merged its Spanish law operation with leading Spanish commercial law firm, A & J Garrigues, to create the biggest firm in Spain. Lawyers in the UK are increasingly under threat from the big accountancy firms. Coopers & Lybrand and Price Waterhouse have recently established their own law firms in a bid to follow Andersen into legal services. *Robert Rice*

■ MONTSERRAT

Evacuation programme opposed

Caribbean leaders will this week offer strong support for demands by David Brandt, chief minister of Montserrat, for UK funds earmarked for the volcano-ravaged island to be spent on development of the habitable north rather than voluntary evacuation. A senior official of the Caribbean Community, which groups the main islands in the region, said political leaders would make plain to George Foulkes – the UK international development minister – their view that an abandoned island would become a haven for drug traffickers and gun runners.

Mr Foulkes, who arrived in Montserrat yesterday, has been widely criticised in the region for his apparent misinterpretation of a report by scientists, which led to the UK implementing a voluntary evacuation of Montserrat. He will be told this week that Antigua must be given assistance to help care for the 3,000 Montserratians who are on that island.

About 4,000 of the colony's original 11,000 inhabitants have been driven to the north by the Soufriere Hills volcano which became active two years ago after being dormant for centuries. *Canute James*

■ DEMUTUALISATION

Report points to $40bn windfalls

Millions of consumers could receive another £25bn ($40.7bn) of windfalls over the next five years as many of the bigger remaining building societies – savings and loans institutions – and insurers decide to follow groups like the Halifax and demutualise. The forecast by HSBC Markets, a leading city investment bank, suggests the windfall bonanza that has produced £35bn worth of free shares this year for one in three adults is far from over. The conclusions are likely to encourage carpetbagging by speculators seeking easy conversion gains. This year's flotations have included Halifax, Woolwich and Alliance & Leicester, which have all converted from building societies to banks, and Norwich Union, the life insurer. Next year Birmingham Midshires building society is set to be acquired by Royal Bank of Scotland.

If all 70 remaining building societies converted, or were taken over, it could produce windfalls worth £15bn, HSBC predicts. *Christopher Brown-Humes*

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■ THE ECONOMY

Sharp slowdown in manufacturing

Growth in manufacturing industry slowed markedly last month, adding to fears of a sudden economic downturn. The purchasing managers' survey, considered the most reliable snapshot of manufacturing industry, registered a fall in its key index from 53.0 in July to 51.3 in August. This is barely above the threshold of 50 which indicates an expanding manufacturing sector. There was also bad news on jobs, as the survey suggested manufacturers were beginning to cut the number of employees. The employment index fell from from 50.7 to 47.8, the first fall since March. The Chartered Institute of Purchasing and Supply, which publishes the purchasing managers' index, blamed the fall in the index on the strong pound. "With the strong pound eroding UK firms' competitiveness abroad and, secondly, reducing the cost of imported goods from foreign competitors, purchasing managers reported that efficiency drives have become increasingly necessary," the institute said yesterday.

The index of the consumer goods component declined from 58.8 in July to 56.6 in August. The data suggest that the consumer boom – while still strong – has been losing some impetus. *Wolfgang Münchau*

Yamaichi suspends 48 staff in drive to cut costs

By Jane Martinson, Investment Correspondent

Yamaichi, Japan's fourth-largest securities house, yesterday suspended 48 London-based staff in a move to cut costs and scale back its European operation.

The group is expected to announce redundancies after a month-long consultation period with employees. It said a final number of job losses had yet to be agreed but there were unlikely to be more than 48.

Yesterday's suspensions included bond and equity traders, sales and administrative staff. More front office than back office staff were affected.

The group, which closed three offices in mainland Europe this year as part of a retrenchment, said the move was a result of "significant" losses in its London-based business. In the past two years, Yamaichi International (Europe) has made an operating loss of £9.89m ($16.1m) and £10.9m respectively.

It last made a profit in 1993 before a recruitment drive which led to an increase in staff numbers from 284 in 1995 to 340. The company said yesterday that "escalating costs had not been matched by revenues". It added that the decision had nothing to do with recent difficulties at the parent company.

Yamaichi dismissed 11 executives in Tokyo last month, including the president, chairman and five vice-presidents, as punishment for the company's alleged links with racketeers. G Sugiyama, chairman of the London operation, was later moved to Tokyo and K Nakajima, the managing director and chief executive, assumed his responsibilities.

Staff numbers will be further reduced as a result of some of the 40 expatriate staff returning to Tokyo. But the group stressed that it intended to continue to operate in all its existing departments.

Yamaichi has recruited staff in London in recent years as part of its effort to take market share from the three leading Japanese houses – Nomura, Nikko and Daiwa. But an analyst from a rival house said yesterday that it had not "even been on the radar screen" for most deals.

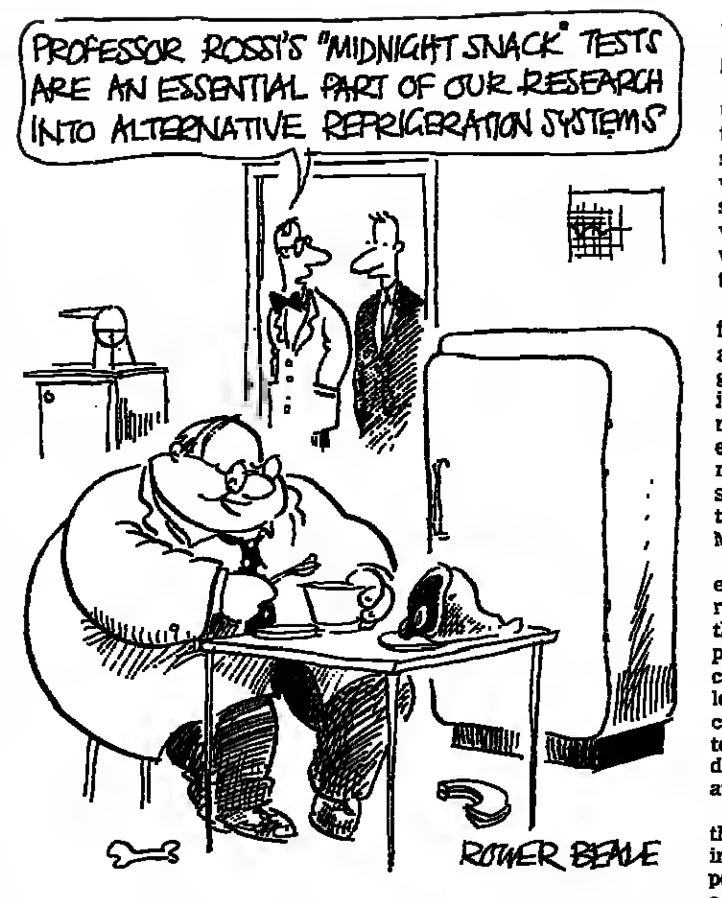
The parent group has reported a loss in four of the past six years. Between April and June this year it made a Y5.4bn loss.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

½ hour period ending	Provisional Price for Trading on 02.09.97: Pool purchase price £/MWh	Final Prices for Trading on 05.08.97: Pool purchase price £/MWh	Pool selling price £/MWh	TS use of system price £/MWh
0030	15.38	10.18	10.18	0.00
0100	14.69	9.90	9.90	0.00
0130	14.69	9.90	9.90	0.00
0200	14.69	9.90	9.90	0.00
0230	14.69	9.90	9.90	0.00
0300	14.69	9.90	9.90	0.00
0330	14.69	9.90	9.90	0.00
0400	14.69	9.90	9.90	0.00
0430	14.69	9.90	9.90	0.00
0500	14.69	10.10	10.10	0.00
0530	11.76	9.90	9.90	0.00
0600	11.76	9.90	9.90	0.00
0630	11.76	10.16	10.16	0.00
0700	14.91	15.23	15.42	1.22
0730	15.58	15.27	15.46	1.22
0800	22.55	15.44	15.64	1.22
0830	23.43	16.16	16.35	1.22
0900	27.38	16.35	16.54	1.22
0930	27.37	18.45	18.65	1.22
1000	27.38	19.10	19.29	1.22
1030	27.38	19.10	19.29	1.22
1100	25.91	20.67	20.86	1.22
1130	27.41	20.67	20.86	1.22
1200	27.45	20.67	20.86	1.22
1230	40.23	20.67	20.86	1.22
1300	40.19	20.67	20.86	1.22
1330	27.35	18.45	18.65	1.22
1400	23.29	16.92	17.11	1.22
1430	23.28	16.64	16.83	1.22
1500	23.28	16.64	16.83	1.22
1530	23.28	16.64	16.83	1.22
1600	23.31	16.64	16.83	1.22
1630	27.42	16.92	17.11	1.22
1700	35.85	18.42	18.61	1.22
1730	35.82	18.42	18.61	1.22
1800	30.75	18.42	18.61	1.22
1830	23.99	18.42	18.61	1.22
1900	23.97	18.42	18.61	1.22
1930	23.97	18.42	18.61	1.22
2000	23.98	15.70	15.89	1.22
2030	35.69	15.63	15.82	1.22
2100	35.69	15.70	15.89	1.22
2130	29.96	20.13	20.32	1.22
2200	29.98	25.31	25.51	1.22
2230	16.86	17.94	18.14	1.22
2300	15.69	17.94	18.14	1.22
2330	15.46	12.61	12.81	1.22
2400	15.49	15.27	15.46	1.22

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to prices per kilowatt-hour the decimal point should be moved one place to the left, eg £16.89/MWh becomes 1.689p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreement which governs the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. The Transmission Services Use of System Price (TSP) is charged by the National Grid Company plc (NGC) for the operation and development of its electricity transmission system for the purpose of offsetting the costs arising from the operation of that system. Charges are calculated by NGC and are based on payments made by NGC into the pool. TSP is also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool and on TSP on behalf of NGC by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0115 945 6789 between 8.30am and 5.45pm Monday to Friday.

TECHNOLOGY



Refrigerators of the future may be powered by sound and solar energy, writes Gabriele Marcotti

Cool designs

The debate over the environmental impact of chlorofluorocarbons (CFCs) may have died down recently, but researchers are atill looking for ways to reduce or eliminate the emission of ozone-depleting chemicals, particularly in refrigeration.

As conventional fridge manufacturers try to make their models more efficient, by achieving the same amount of cooling while substituting different chemicals for CFCs, others are trying new environmentally friendly approaches, inclodiug some based on sound and solar energy.

It may sound wacky, but results so far are promising. Often these unconventional projects have originated with people wbo bave little hackground in refrigeration or who stumbled upon semi-forgotten technologies.

One person who admits he knew nothing about cooling and now is on the cutting edge of solar-powered refrigeration is Keith Meyer. Mr Meyer, 76, spent 30 years working for relief organisations in developing countries such as Vietnam, Thailand and Kenya.

"I often saw vaccines and medicine go to waste because tbe refrigeration was faulty or inefficient," explains Mr Meyer. "It really struck me in 1977 when I saw a wbole health centre outside Nairobi, Kenya, shut down because the kerosene that was supposed to power its refrigerators went bad.

"I realised current refrigeration methods were simply unworkable in many remote areas and it was costing us huge amounts of money. There had to be a better way," he says.

Upon his return to the US, be approached some engineer friends with his problem. The one thing that was not in short supply in the places he had worked was sunlight: could a solar-powered refrigerator be built?

Some scientists were taken aback by this mild-mannered man who knew nothing of the subject, hut others saw merit in the idea and offered to help develop it.

The main difficulty would be insulation: It had to be lightweight, effective and cheap. But they were lncky enough to stumble on a little-known patent for vacuum insulation, a technology that had not really been pursued, but fitted their needs perfectly.

Four-inch thick vacuum insulation allowed them to improve efficiency enough to construct a lightweight 20in x 20in x 31in prototype that maintains a constant temperature of 3°C for up to seven days without sun or connection to a power source. Because the solar energy powers a high-efficiency compressor cooling system (one which does not use CFCs), Mr Meyer's refrigerator also received the blessing of environmental groups.

Researchers are putting the finishing touches to a sound-driven cooling system

Most importantly, tbey were able to construct a system that would cost around $2,000 (£1,300) once it went into full production – thus making it commercially viable. Manufacturers had stressed that anything above that amount would be too expensive.

"By mid-October the first demonstration models will be available for international aid organisatlons to distribute," says Mr Meyer. "That's when our dream will hopefully become reality."

While Mr Meyer's unit depends on solar energy, a very different refrigeration prototype is being developed at Purdue University in Indiana. Researchers are putting the finishing touches to a sound-driven cooling system that promises to be far ahead of similar technologies developed in the past.

The field of thermoacoustics – using sound waves to manipulate temperature – has been around since the 1960s. It was then viewed as a possible important source of cheap energy, but after various setbacks the technology was put to one side and was virtually forgotten.

Two years ago Brian Minner, a first-year post-graduate student at Purdue, walked into Luc Mongeau's office and resurrected the idea. Dr Mongeau, is professor of mechanical engineering and an expert on acoustics, and Mr Minner said he desperately wanted to study thermoacoustic refrigeration. After some thought, Dr Mongeau agreed.

The concept blossomed and to everyone's surprise they made rapid progress, solving a lot of the past technical problems with previously untried design modifications. The cooling device is a long, hollow tube with a large cavity, called a Helmholtz resonator, at one end and an acoustic driver, essentially a loudspeaker, at the other.

Sound from the driver causes the pressure to fluctuate, which in turn causes variations in temperature. A porous device, called a stack, located in the middle of the tube, funnels cold air towards the Helmholtz resonator and warm air back towards the loudspeaker. The cold air in turn lowers the temperature of the coolant, which cools the system.

The earliest version of Mr Purdue's sound-driven refrigerator has managed a "co-efficient of performance" – the ratio of how much cold is generated for a given amount of energy – of 1.6.

This is below the COP of 2 achieved by most commercial refrigerators, but Mongeau notes that the early system was filled with design flaws and inefficiencies.

"We expect a COP of at least 2.5 to 3, maybe more, a lot more," says Dr Mongeau. "Our early system was very inefficient and we still got decent results. If our predictions are correct we'll have a refrigeration device that is cheaper, more efficient, environmentally friendly and easier to maintain."

How soon snch sound-driven refrigerators become available for domestic use depends on how quickly refrigeration companies embrace the idea, says Dr Mongeau.

"It took us almost three years to come up with a prototype," he adds. "Bnt if one of the large corporations backs us, we could have a new prototype in a few months."

Down and under: Drilex horizontal well design

Sideways look at cleaning up

Marcus Gibson explores a cheaper and more effective way of clearing industrial pollution

Cleaning np heavily polluted industrial sites using horizontal wells pioneered by the oil industry is proving far quicker and cheaper than conventional methods.

In July, Drilex, the US company started hy Scottish-horn engineer John Forrest, completed a two-year clean-up of 1,300 acres of polluted land and groundwater at Dow Chemical's Plaqnemine plant in Louisiana. It had become the world's higgest soil remediation project.

Drilling vertical holes or excavation are the more usual methods of clearing heavily polluted sites. Bnt horizontal drilling can be quicker, causes less disturbance on the surface, and is claimed to be cheaper in the long term.

At Plaquemine, instead of using some 200 vertical wells, Drilex bored five horizontal tunnels, using a directional bit. Pumps sucked ont chlorinated hydrocarbons and polluted salt water. Hot, oxygenated water rich in organic bacteria was pumped into the wells to speed up the breakdown of pollutants.

The borizontal approach allowed Dow to continue prodnction undisturbed. Organic compounds were also reclaimed, rather than disposed of as industrial waste.

Among the 44 horizontal wells that Drilex has completed in the US, it has removed methane gas from a Colorado coal mine, solvents from beneath a compnter manufacturing site in Silicon Valley, and toxic pesticide wastes from the notorious Rocky Mountain arsenal north-east of Denver.

Dow Chemical thinks horizontal drilling will revolutionise decontamination of big industrial sites. It hopes the system can remove pollution from several eastern European industrial sites.

Mr Forrest believes the technique could benefit hundreds of UK landfills or hig industrial sites, especially those built on stolid, low-permeability soils such as clay.

Professor Panl Syms, an expert in contaminated land at Sheffield's Hallam University, says the system "can treat contamination on site – so yon eliminate the cost and environmental hazards associated with the excavation and transport of contaminated wastes.

"But apart from soil treatment, there's probably even greater potential for such systems to control pollutants such as landfill gas."

Drilex says horizontal drilling would have saved much of the £25m the former National Coal Board spent in resiting the village of Arkwright, after methane from old workings made 400 homes uninhabitable.

Initial installation of horizontal drills can be expensive, at around $200 (£120) per foot but long-term maintenance costs are halved. "A vertical well has 80 moving parts, a horizontal one just eight," says one Drilex engineer.

Stuart Sutton, environmental consultant at UK-based Entec, is another enthusiast. "Most pollution is concentrated into flat, horizontal lenses [layers], so this type of drilling can find and penetrate pollution much more qnickly and efficiently."

Mr Sutton has been studying Drilex's techniqnes for another, eqnally inventive application, on behalf of tbe Cardiff Bay Development Corporation.

Construction of Cardiff's offshore barrage bas raised the water-table and jeopardised local housing. Mr Sutton says horizontal wells and associated pumps could lower the water-table in south Cardiff and maintain the new level almost indefinitely for a fraction of the cost of vertical wells.

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BUSINESSES FOR SALE

CONTRACTS & TENDERS

Republic of Ecuador

RE-OPENING OF THE QUALIFICATION PROCESS OF INTERESTED OPERATORS TO PARTICIPATE IN THE INTERNATIONAL BID FOR THE ACQUISITION OF 35% OF THE SHARES OF THE TWO COMPANIES RESULTING FROM EMETEL S.A. DIVISION

The Government of Ecuador, through the Commission for the Modernisation of Telecommunications, COMOTEL, as the executing agency for the National Council for the Modernisation of the State, invites interested operators for the re-opening of the qualification process in order to participate in the international bid for the acquisition of 35% of the shares of the two companies resulting from EMETEL S.A. division.

As a result of the modifications to the Reform to the Special Telecommunications Act, published on August 20, 1997 in the *Registro Oficial Suplemento No. 134*, 35% of the shares of each company shall be sold to one or two national or international operators, who will be entrusted with the responsibility of administering and operating either one or both companies. Moreover, all interested operators will be now able to participate either directly, or together with subsidiaries, or associated with juridical or natural persons, national or foreign.

Parties interested in participating in the privatisation process shall submit no later than September 22, 1997, technical, financial and legal information for 1996 pertaining to the company, if it is an operator or a carrier of telecommunication services, and in the event it is not, the information pertaining to the subsidiary, the associated company, or the member of the consortium, that is a telecommunication services operator or carrier. The COMOTEL shall qualify, no later than October 6, 1997, those interested parties that comply with all qualification requirements.

Any additional information, including the detailed qualification requirements and procedures, may be requested in writing, addressed to the attention of the COMOTEL Secretariat, that is the CONAM Executive Directorate, 9th floor, Edificio de la Corporación Financiera Nacional, Ave. Juan Leon Mera #130; or via fax (593-2) 508 632.

Quito, August 22, 1997

Rodrido Paz Delgao
President, COMOTEL

Raul Gangotena Ribadeneira
Secretary, COMOTEL

BUSINESSES WANTED

HOTEL & LEICENSED PREMISES

INTERNATIONAL PEOPLE

Villin heads BZW in France

Philippe Villin, a former civil servant, newspaper executive and corporate financier, began work this week as the new head of the French operations of BZW, the banking group.

His appointment comes after Jean-Louis Vinciguerra, in charge since 1995, moved to Banque Indosuez, now owned by the French mutual bank Crédit Agricole.

Villin, aged 42, graduated from the elite Ecole Nationale d'Administration and worked in the prestigious inspection de finance division of the ministry of economics and finance, becoming head of budget, financial affairs and investments in the telecoms division in 1983.

He made his name as a close associate of Robert Hersant, the late and enigmatic French media baron and politician, working in his group from 1984.

Villin became deputy chairman of Le Figaro, the group's right-wing flagship newspaper in 1986, and was additionally made head of the more popular evening paper France Soir in 1988.

After a clash between the two men, he left the Hersant group to run his own corporate finance business, Philippe Villin Conseil, in 1994, acting as an adviser to the Bolloré group, Compagnie Navigation Mixte and working in conjunction with investment banks including Merrill Lynch.

"After three years, I wanted to work in a team again," he said. "In this business, you either have to be a free electron or with an enormous firm with an international network and equity."

He said BZW provided him with the chance to move into this second category.

His contact with BZW began after meeting Martin Taylor, chairman of the parent group, Barclays. Both sat on the Franco-British Colloquium, a cross-channel discussion group set up in 1992.

Andrew Jack, Paris

Threadgold joins ING Baring in Japan

David Threadgold, who started his career as a life insurance analyst, has been appointed head of ING Baring's Japanese equity research.

ING Baring, which has also appointed Toshiaki Iba telecommunications analyst in Japan, employs over 400 people in research in more than 40 countries.

Threadgold previously spent five years as senior analyst responsible for Japanese financials at BZW Securities in Japan. A mathematics graduate, he started his career with Sheppards and Chase in London before moving to Laing and Cruickshank. He then spent six years at County NatWest, both in Tokyo, covering the Japanese financial sector, and in London, covering European insurance. At ING Baring he will be responsible for managing the research team of 30 people, as well as covering the insurance sector.

Iba, educated at Harvard and Tokyo University, started his career at the Japanese ministry of posts and telecommunications where he became assistant director. He then joined Deutsche Telekom as planning manager, working in both Bonn and Tokyo. Prior to joining ING Baring he spent eight months at Dresdner Kleinwort Benson securities in Asia.

IDC recruits Till for new project

Bernard Till, who spent 24 years at the London Stock Exchange introducing electronic settlement systems, has joined International Depository & Clearing as a vice-president. He will be responsible in Europe for developing IDC's role in projects including improving the processing of cross-border securities transactions.

IDC, a marketing and development organisation, is a jointly owned subsidiary of The Depository Trust Company, a US-based clearing house for the settlement of trades in corporate and municipal securities, and National Securities Clearing Corporation, the US's largest provider of centralised clearance, settlement and information services.

IDC currently is working with a group of US and European banks, brokers and financial institutions to reduce risk in cross-border trading through improved electronic processing. A paper proposing a new process model is due shortly.

IDC said that cross-border transactions were both growing in volume and having shorter settlement dates. "The system needs improving, with a lack of electronic processing and problems of cognitivity between systems."

Till is well-placed to contribute to such a debate. His career included establishing an office in New York for the local settlement of London-traded US securities and the implementation of the Central Gilts Office. He also managed the introduction of rolling settlement and the recent move to five days settlement periods in the UK.

Lisa Wood, London

ON THE MOVE

■ MCGRAW-HILL, the information services group, has appointed John Negroponte, former US ambassador to Mexico, the Philippines and Honduras, executive vice-president, global markets. He joins today.

■ Business adviser KPMG has appointed Louis Hartwell managing director of its newly formed global communications operations group. He joins from Andersen Consulting, where he worked as a director within its strategy services practice.

■ Anthony Fernandes, executive vice-president, Arco, has been elected chairman of ARCO CHEMICAL COMPANY. Fernandes, an Arco Chemical board member since 1996, replaces Mike Bowlin, who was chairman and chief executive.

■ EKCO GROUP, the US manufacturer and marketer of branded consumer kitchen and houseware products, has established a subsidiary, Ekco International which will operate in all countries outside the US and Canada. Jeffrey Weinstein, 46, executive vice-president of Ekco Group and former president of Ekco Consumer Plastics until its sale in March 1997, becomes president of EKCO INTERNATIONAL. Graham Morris, 38, takes up the post of managing director of Ekco UK in mid-September, moving from his previous position as managing director of Emsa UK.

■ DAIWA EUROPE has appointed Phil Brewer head of Euromarket trading in New York. He joins from Deutsche Morgan Grenfell in New York.

■ Jan Peters, managing director of One 2 One, has been appointed chief executive of MEDIAONE, the third largest cable operator in the US and a unit of US West Media Group. She will continue to lead the One 2 One digital mobile phone services operation until she takes up her new role on October 1. A successor for Peters has yet to be announced.

■ George Scanlon has joined ALFRED HABER DISTRIBUTION, one of the largest distributors in the world of US Network music, variety and documentary specials, executive vice-president/ chief financial officer. Scanlon joins from Children's Television Workshop in New York, where he served as chief administrative officer of CTV's international Television and Products Group since 1996.

■ BEA SYSTEMS, a provider of open distributed enterprise middleware, has appointed Steve Bale managing director for Northern Europe. Bale has been with BEA since June 1996.

■ ERNST & YOUNG, the integrated professional services firm, has elected Philip Laskawy, chairman and chief executive, to a second term ending September 30, 2001.

■ DRESDNER KLEINWORT BENSON North America has appointed John Fieseler, who is a senior vice-president, sector head for telecommunications and media. He has held senior corporate finance positions with CIBC Wood Gundy, and, most recently, was senior vice-president and managing director, Global Multimedia and Technology Industry Group.

■ J&H MARSH & MCLENNAN, the global risk management and insurance-services firm created by the merger of Marsh & McLennan and Johnson & Higgins, has appointed Terry Paradine head of operations in the Asia-Pacific region. Before the creation of J&H Marsh & McLennan, Paradine was head of the Asia-Pacific region of Marsh & McLennan for seven years.

■ Mike King has been appointed a deputy chairman of ANGLO AMERICAN CORPORATION following the retirement of Graham Boustred, Harry Calver, Bill Nairn and Rupert Pardoe have been appointed executive directors of the corporation. Mike King has been an executive director and head of the corporation's finance division since 1980.

■ SOFTIMAGE, a wholly owned subsidiary of Microsoft, has promoted John McQueen to worldwida marketing director. In his new position McQueen will be based in Softimage's corporate headquarters in Montreal, Canada. Softimage has also promoted Simon Davies to managing director for the UK and UK International Territories.

■ Arnould Thirion, has been appointed managing director of STASSEN in Belgium, the centre of operations for the BULMER CIDER GROUP in Northern Europe. He joins from Unilever. Jean Pierre Stassen, the current managing director, wil take up a new role within the Bulmer International division.

■ Arron Dack has been appointed president of financial technology firm BRAID with responsibility for driving the expansion of Braid's operations in the Americas. Dack joined Braid as vice-president of sales and marketing in December 1996 from Thomson Financial Services.

■ BOEING has appointed Richard Pearson to head the commercial aircraft operations acquired in its purchase of McDonnell Douglas Corp. Pearson, who joined Boeing in 1967, led the company's commercial airplane group transition team in the seven months leading up to the $16.3 billion merger. Pearson eventually will move to California to oversee the Douglas Products division, formerly known as Douglas Aircraft. Boeing has also added four members to its board. Former McDonnell Douglas board members John Biggs, Kenneth Duberstein, John McDonnell and Harry Stonecipher were appointed to the Boeing board, which now has 12 members. Boeing also said its former chief executive, Frank Shrontz, who stepped down as chairman in April, had retired from the board along with former Chevron chairman and chief executive Harold Haynes. The changes meet a requirement of the merger agreement which called for one third of the Boeing board to be made up of former McDonnell Douglas board members.

■ GENERAL MOTORS INDIA, a joint venture between General Motors and Birla Group, has appointed Richard Swando managing director. Swando replaces Ronald Nardi who becomes director, African and Middle East operations of General Motors.

International appointments

Please fax information on new appointments and retirements to +44 171 873 3926, marked for International People. Set fax to 'fine'.

ARTS

Technical virtuosity: Norman Ackroyd's 'Harewood – Autumn' 1997, one of the works on display in 'Tender is the North' at Harewood House

A very deceptive execution

William Packer on Norman Ackroyd, who is to etching what Turner was for watercolour

Almost exactly 200 years ago, the young Turner made the first of his many journeys into the north of England, one which in the event took him to Harewood House near Leeds, seat of his patron, the 1st Earl of Harewood. No artist, before or since, and over so long a career, was ever to prove more inveterate a traveller than Turner.

But now, these 30 years past, we have seen another ever-restless English artist, Norman Ackroyd, latterly Royal Academician like Turner himself, run him very close, indeed outstrip him so far as the greater British archipelago is concerned. For even Turner never quite made it beyond the Hebrides to the farther fastnesses of St Kilda and Rockall.

Ackroyd, too, came to know Harewood and its estate in his youth, albeit under less high and *formal* patronage, escaping into the countryside from nrban Hunslet on the outskirts of Leeds, where he grew up. It was then that his own particular love of landscape, positively Turnerian in its Romanticism, first declared itself, then to resolve itself into the firm emotional base upon which his subsequent ambition to become an artist could rest. From first to last, painter and etcher, he has always been artist of the landscape, no more; no less.

And again like his bero, Turner, he has always been instinctively radical and even revolutionary in the freedom and *improvisatory* nature of his working methods.

Turner, with his notebooks and box of watercolours, bumping alike across Alp or Pennine, would take advantage of any halt to note down particular effects of light and atmosphere, *mass and contrast*, for later use. And, in so doing, he devised a swift, effective simplicity and directness of expression, often shocking and even incomprebensible to his contemporaries, that still astonishes as much as it delights the modern eye.

But a box of watercolours is one thing, the paraphernalia of plates and grounds, inks and acids, another. Turner was no etcher, and would have *baulked* at the thongbt of any such work in the field. And we have had to wait for Ackroyd to do for etching what Turner did for watercolour painting, liberating it from the processes of tbe studio and setting it *directly* before the subject.

For Ackroyd has shown us that one doesn't necessarily need e kitchen in which to cook, and a camp fire may do very well if needs must. A mirror propped up to rectify the image in anticipation of the print, brush and feather and a little acid to work directly on the plate, a little water to stop the bite, and off we go. And Turner would surely have seen the point of it, and jumped to exploit it given the chance.

But the curious thing about Ackroyd as opposed to Turner is that whereas Turner in his day remained private in his more radical experiments and statements, leaving them to posthumous celebration, indeed not even thinking of them properly as work at all but mere preliminaries, Ackroyd has never been anything but immediately accessible in his work even when it is most freely experimental.

The broad open-bite, the lighter, delicate *sugar-lift*, the dark, intense aquatint: all are deployed with an astonishing assurance, ever exact in their expressive intention and combination yet so deceptive as to seem almost casual, off-hand.

The few watercolours included in this exhibition at Harewood make the very point, with their mists and falling veils of translucent colour, so moistly, airily suggestive. We must look twice, and carefully at tbat, to make sure they are not the prints, or the prints in their turn the watercolours we first took them for.

But such technical virtuosity is not merely self-serving and self-sufficient, but always put to the service of the image and the landscape. Here the particular image is that of northern Britain, the *Tender North* of Ackroyd's affection and experience, centred upon a recent suite of prints made in the landscape around Harewood itself, from the broad sweep of the great bouse seen high on its terrace above the lake, to the close and intimate image of a pile of leaves in the snow.

But, of course, it extends far beyond Harewood, for Ackroyd's interest was always of its nature centrifugal, and from the start of his career be bas variously moved and worked his way through the Yorkshire Dales, up to the Tyne and across the Pennines to the Lakes, and so on over the Border and into the Highlands, to the Islands, to Orkney, the Hebrides, St Kilda. This is indeed a succinct retrospective of one artist's lifelong preoccupation with what is, *mutatis mutandis*, the same thing, the ever-constant, ever-changing landscape of a truly romantic imagination, "these high wild hills and rough uneven ways".

Ackroyd is a remarkable artist, unconfined by the ostensible category and technical limitations of his principal medium, an artist who makes etchings, an etcher who paints. And nowhere could be be seen to better advantage than in the Terrace Gallery at Harewood where, in a very real sense, he has come home.

Tender is the North – paintings and etchings by Norman Ackroyd: Terrace Gallery, Harewood House, Yorkshire, until October 26: sponsored by Smith Settle, supported by Great North-Eastern Railways.

Edinburgh Festival/**Andrew Clark**

Fine Wagnerians step into the breach

What has happened to Bryn Terfel? Hundreds of the Welsh bass-baritone's admirers bought tickets, and in some cases travelled far, for the two appearances he was scheduled to make at the Edinburgh Festival.

He cancelled his solo recital at barely three hours' notice, having lost his voice. A week later, he withdrew from a concert performance of Act 3 of *Die Walküre*, pleading vocal fatigue.

These were not isolated incidents. Earlier this year he pulled out of Peter Stein's new production of *Wozzeck* at the Salzburg Easter festival, apparently because be had not set aside enough time to learn the title role.

Despite countless warnings that be should pace his development carefully, it seems Terfel has not yet learned basic lessons of voice- and time-management. Aged 31, he is too busy juggling the demands of a starry career.

The pressures on such a gifted singer must be immense, but it's no use blaming agents, record company managers or the media. Talent confers responsibilities as well as riches, and all Terfel needs to do is say "no" – not at a few hours' notice, but when the offers roll in. Then be might be able to grasp what is important in his life, and leave fewer people disappointed.

The reason for heightened expectations at last Thursday's concert in the Usher Hall had been the chance to sample Terfel's Wotan, which he has not yet sung on stage. Even without him, the concert was worth hearing, because it introdnced a condnctor and several singers who are among a new generation of Wagnerians.

In Terfel's absence, interest focused on Jane Eaglen's Brunnhilde. Her majestic soprano embraces and enfolds the part with such effortless command, and such ample reserves of breath, that one wonders why she does not do more with it. She sang and delivered – but the spirit and passion of the warrior-maiden were missing, and she never once addressed ber partners. This was a Brunnbilde for the recording studio rather than the theatre.

Adrianne Pieczonka'e Sieglinde would do nicely in either. Pieczonka has the purity and technical control on one hand, and a sincere, expressive personality on the other – adding up to one of the loveliest soprano voices to grace the stage in recent years.

"O hehrstes Wunder!" had a properly gleaming, ecstatic ring, and my only regret on this occasion was that Sieglinde bad so little to sing. Pieczonka has already established berself as an ideal Strauss interpreter; it looks as if ber Wagner will be equally worth savouring.

Within an unusually fine octet of Valkyrie maidens, Cara O'Sullivan, Alwyn Mellor and Liane Keegan showed particular promise. They, and the Royal Scottish National Orchestra, were confidently marshalled by Antonio Pappano, wbo showed a subtle grasp of Wagnerian line and contour, without underselling the big moments. Pappano learned his Ring as Daniel Barenboim's musical assistant at Bayreuth, where be belped to coach John Tomlinson for his first performances as Wotan. And it was Tomlinson, bot-foot from the Wagner festival, who replaced Terfel in Edinburgh.

Tomlinson loses none of his theatricality in concert. He lived and breathed the part. the high tessitura imposing an extraordinary tension on his meaty bass voice. Tomlinson may not be the most natural Wotan around today, but he is certainly the most expressive.

Edinburgh

Wait for the Palace film

Possibly for the first time, stage and screen varsions of the same work were on sbow more or less in conjunction in Edinburgh's festivals. The theatrical incarnation of Zhang Yuan's *East Palace, West Palace* (co-written with the late Wang Xiaobo) was the first to be aired, at the Geteway Theatre; sadly, the care taken over its presentation and content do not amount to the hoped-for dramatic impact.

Zhang concerns himself with the homosexual tradition in Chinese history, its almost complete erasure under communism bnt the persistence of a clandestine gay lifestyle.

A-Lan, a writer (played by Lu Xiao Pin), begins to tell a fable about e constable's arrest of e female thief; he repeats the beginning several times, then shears off into an account of his own encounter in a Beijing "cottaging" park with a policeman whose curiosity and temptation alternate with oppression and violence. (The title of the piece refers to the two public toilets in tbe park, in one of which Hn Jun'e constable epprehends A-Lan.)

To one side of the stage, two Kunqu actors painstakingly make themselves up as women and periodically sing Kunqu arias. The otherwise bare stage is hung with medical drip-bags slowly discharging their contents into steel basins, symbolising ... what? The pervasiveness of homosexual life and culture? The incremental closeness of A-Lan and the constable? The sound of a badly plumbed set of toilets? On occasion, the two main actors take a few of eacb other's lines – difficult transitions to follow at the best of times, exacerbated here by unhelpfully timed surtitling.

As A-Lan is prompted into a series of factual and fictional stories, his intimacy with and vilification by the constable increase, until he is forced into e gown and wig for the final phase, in which he first engages with and is then savagely beaten by the policeman in the shallow pool of water at the rear of the stage.

The play seems to aim for the patterning and precision of classical Chinese drama, but too often its minimalism and understatement simply translate as *longueur*.

Zhang makes a telling point about the massive and fundemental revisionism suffered by homosexual culture in China, but the process and vision be employs to do so come over in this production, not so much as delicate, but simply as elow and – with all due apologies for using the term – inscrutable. The cinematic version of the story will, one preeumes, throw a different light upon it: the 80-minute stage version rather overplied its hand.

Ian Shuttleworth

INTERNATIONAL ARTS GUIDE

■ AMSTERDAM

DANCE
Het Muziektheater
Tel: 31-20-551 8911
Giselle: National Ballet new season opens with this staging by Peter Wright; Sep 6, 7, 9, 10

OPERA
Het Muziektheater
Tel: 31-20-551 8911
Das Rheingold: by Wagner. Netherlands Opera. New production, directed by Pierre Audi and conducted by Hartmut Haenchen; Sep 4, 8

■ BERLIN

CONCERTS
Kammermusiksaal, Philharmonie
Tel: 49-30-2548 8354
● Rosamund Quartet: in works by Rihm, Eisler, Zwischenblick and Schumann; Sep 7
● Vogler Quartet: in works by Schumann, Rihm, Eisler and Smetana; Sep 6

Philharmonie
Tel: 49-30-2548 8354
● Berlin Philharmonic Orchestra: conducted by Claudio Abbado in works by Schubert and Rihm; with violin soloist Rainer Kussmaul; Sep 6
● European Union Youth Orchestra: Bernard Haitink conducts works by Beethoven and Bruckner; with piano soloist Emanuel Ax; Sep 3

■ FORT WORTH

EXHIBITIONS
Kimbell Art Museum
Tel: 1-817-3328451
Monet and the Mediterranean: "It is so beautiful here, so bright, so luminous! One swims in blue air; it is frightening!" wrote Monet from Cap d'Antibes in 1888. Bringing together more than 70 works, this exhibition presents the fruits of several journeys made by the painter: to the Italian and French Rivieras in the 1880s, to Venice in 1908; to Sep 14

■ LONDON

CONCERTS
BBC Proms, Royal Albert Hall
Tel: 44-171-589 8212
● Hausmusik London: performs Brahms' Clarinet Quintet in B minor and Mendelssohn's Octet in E flat major; Sep 4
● Neeme Järvi: conducts the Gothenburg Symphony Orchestra in works by Brahms, Prokofiev and Sibelius; Sep 7
● Royal Concertgebouw Orchestra: in a programme of works by Strauss, conducted by Music Director Riccardo Chailly; Sep 2
● Royal Concertgebouw Orchestra: conducted by Riccardo Chailly in a programme which includes works by Keuris, Bartók and Strauss; Russian pianist Arkady Volodos plays Rakhmaninov's Piano Concerto No. 2 in C minor; Sep 3
● Venus and Adonis: by Hans Werner Henze. Markus Stenz conducts the BBC Symphony Orchestra in the UK premiere of Henze's score, with soprano Evelyn Herlitzius and baritone Ekkehard Wlaschiha; Monteverdi's madrigals are performed by the Gabrieli Consort and Players, directed by Paul McCreesh; Sep 5
● Yan Pascal Tortelier: conducts the BBC Philharmonic in Mozart's Piano Concerto No. 25 in C major, K503, with soloist Alfredo Perl; and Ravel's Daphnis and Chloë, with the BBC Singers and Royal Liverpool Philharmonic Choir; Sep 4

■ LUCERNE

CONCERTS
International Festival of Music
Tel: 41-41-210 3080
● Arditti Quartet: in works by W. Rihm; at the Lukaskirche; Sep 6
● Budapest Festival Orchestra: conducted by Charles Dutoit in works by Berlioz and Liszt. With piano soloist Martha Argerich; at the von Moos-Stahl-Halle; Sep 3
● Budapest Festival Orchestra: and the Luzerner Festwochenchor conducted by Charles Dutoit in works by Berlioz, Debussy and Holst; at the von Moos-Stahl-Halle; Sep 4
● Festival Strings Lucerne: conducted by Rudolf Baumgartner in works by Bach and Felder. With violin soloist Sajaka Shoji; at the Jesuitenkirche; Sep 6
● Orchestra Filarmonica della Scala: conducted by Riccardo Muti in works by Pergolesi, Busoni and Respighi. With soprano Barbara Frittoli and mezzo-soprano Anna Caterina Antonacci; at the von Moos-Stahl-Halle; Sep 5
● Oslo Philharmonic: conducted by Mariss Jansons in works by Beethoven, Strauss and Bartók; at the von Moos-Stahl-Halle; Sep 2

■ MONTREAL

EXHIBITIONS
Museum of Fine Arts
Tel: 1-514-285 1600
Exiles and Emigrés: The Flight of European Artists from Hitler. Focusing on the 12 years of Nazi rule 1933-45, this show explores the work of 23 artists during their years in exile, their continuing relationships with European societies and their impact on the United States; those featured include Salvador Dali, Max Ernst, George Grosz and Piet Mondrian; to Sep 7

■ NEW YORK

EXHIBITIONS
Metropolitan Museum of Art
Tel: 1-212-879 5500
Ivan Albright, Magic Realist: retrospective consisting of 45 paintings by the Chicago-based artist Ivan Albright (1897-1983). Includes still-lifes, character studies, 25 self-portraits and the "Picture of Dorian Gray"(1943-44) created for the film of the same name; to Sep 7

Museum of Modern Art
Tel: 1-212-708 9480
This retrospective of the Stenberg brothers promises to be MOMA's largest graphic design retrospective to date. Bright young things of the Russian avant-garde, Vladimir later became Chief of Design for Red Square, a post he held until 1964, while Georgii died in 1933. Pioneers of advertising, the brothers are best known for the posters they designed for Soviet cinema in the 1920s; ends today

■ PARIS

CONCERTS
Théâtre des Champs Elysées
Tel: 33-1-49525050
Orchestre Français des Jeunes: conducted by Marek Janowski in works by Brahms and Mendelssohn, with violin soloist Julian Rachlin; Sep 7

OPERA
Opéra National de Paris, Opéra Bastille Tel: 33-1-44731300
Le Nozze di Figaro: by Mozart. Conducted by James Conlon in a staging by Giorgio Strehler. Cast includes Anthony Michaels-Moore and Barbara Bonney; Sep 8

■ ROME

CONCERTS
Auditorio di Via della Conciliazione
Tel: 39-6-6880 1044
Orchestra and Choir of the Accademia Nazionale di Santa Cecilia: conducted by Daniele Gatti in works by Brahms: Concerto in D major, with violin soloist Uto Ughi, and Symphony No. 1 in C minor; Sep 3, 4

■ VIENNA

EXHIBITIONS
Kunstforum der Bank Austria
Tel: 43-1-533 2266
Art and Insanity: wideranging survey of the relationship between madness and the visual arts, from the Baroque to the modern. The 350 works on display include Géricault's portraits of the mentally ill, nineteenth-century representations of lunatic asylums, expressionist works, and a selection of works by psychotic and schizophrenic artists; from Sep 5 to Dec 8

■ WASHINGTON

CONCERTS
Kennedy Center
Tel: 1-202-4674600
● National Symphony Orchestra Beethoven Festival: Leonard Slatkin conducts the Symphony No. 10 in E-flat major and Symphony No. 9 in D minor; Eisenhower Theater; Sep 5
● National Symphony Orchestra Beethoven Festival: Leonard Slatkin conducts a programme including excerpts from The Creatures of Prometheus and Symphony No. 3 in E-flat major; with piano soloist David Buechner; Eisenhower Theater; Sep 6

■ ZURICH

EXHIBITIONS
Kunsthaus Zürich
Tel: 41-1-262-0909
Birth of the Cool: wide-ranging survey of American art in the latter half of this century. Among the artists represented are Georgia O'Keeffe, Jackson Pollock, Andy Warhol and Chuck Close; to Sep 7

■ TV AND RADIO

● **WORLD SERVICE**
BBC World Service radio for Europe can be received in western Europe on medium wave 648 kHZ (463m)

EUROPEAN CABLE AND SATELLITE BUSINESS TV
Monday to Friday, Central European Time:

● **NBC/Super Channel**
07.00: *FT Business Morning*
10.00: *European Money Wheel*
Nonstop live coverage until 15.00 of European business and the financial markets.
17.30: *Financial Times Business Tonight*

● **CNBC**
08.30: *Squawk Box*
10.00: *European Money Wheel*
18.00: *Financial Times Business Tonight*

Relentless pursuit: Diana's image was a money-spinner for paparazzi

Would privacy laws help?

No, says Clay Harris, only a national consensus can

Privacy laws are not a panacea. With the British press facing a public backlash after the death of Diana, Princess of Wales, legislative curbs to its free-wheeling and lightly self-regulated approach are under debate again.

But international experience offers little evidence that privacy laws would make much difference. Laws range from the draconian to the non-existent, but journalists in most countries share a *rumbustious* tendency to push news gathering methods and content to the limit. The question is how that limit is set.

In most countries, the price for licence is the realisation that there *is* a limit, whether legally enshrined or based only on cultural consensus. In most monarchies, even those with an otherwise free-wheeling and prurient press, reticence about one's own royal family is a taboo observed without question. The British press is an obvious exception. This reflects not only how important the royal family's personal exploits are to readers (and hence sales) but also the fact that troubled private lives have led to discussion of constitutional issues.

Legislative remedies are rarely able to balance public and private interests. Italy's new Privacy Authority was created after people complained they first learned in the press they were targets of corruption investigations. In one of its first cases, however, involving Cesare Romiti, Fiat's chairman, the authority ruled in his favour but found it had no effective sanctions against the offending publication. In France, whose privacy laws are among the toughest in Europe, publishers shrug off the threat of modest fines as an acceptable risk to gain commercial advantage. The racier end of the German press also makes the same calculation.

Clearly, laws can limit intrusion into people's privacy. Whether they can then act in the public interest is not so clear. Under Malaysia's press laws, while good manners are rarely violated, the misdeeds of national leaders are often obscured. Editors often go on to senior posts within government after they finish their stint on the paper. If a government minister is believed to have been involved in a sex scandal, the press will observe courtesy in its questioning or will drop the issue altogether if told to do so.

Elsewhere, newspapers are ingenious in circumventing legal restrictions. The Thai press, for example, regularly reports allegations about public figures who are identified only by initials. This provides protection against defamation laws, even when identities are obvious to every reader.

How then does the press in each country decide the limit of what is locally acceptable?

Peer discipline is variable, even in the same country. A Japanese photographer who dared to take a snap of the Empress eating was expelled from his professional association even though the photograph remained unpublished. Yet other weekly magazines publish imperial gossip with impunity.

The Japanese press occasionally tests the boundaries of imperial comment, but the Thai media report only official palace statements about its royal family. The Spanish press may ogle foreign royals, but utters not a whisper of gossip about King Juan Carlos and his family.

Sally Cartwright, publishing director of Britain's *Hello!* magazine, younger sibling of Spain's Hola!, says: "I don't think I would call it hypocritical. I would call it a reasonable respect for other people's privacy." Hola! and Hello! satisfy the public appetite for peeks into private lives by doing it under the consent and control of celebrities themselves.

The rich and famous are not alone in wanting things both ways. The "quality" press the world over affects a wry detachment from stories deemed to be too racy, but finds a way to mention them. The more serious Thai press treated with humour – but still reported – the tabloid Khao Sod's revelations about a procurer of prostitutes for government ministers. The US version of this is to insinuate a tabloid scoop about a public figure's private life into print in the guise of self-important discussion of "press ethics".

As a country with few legal restrictions on the media, yet a press that is polite by international standards, the US experience illustrates important points about the current debate.

Editorial "excesses" are more likely to appear in hotly contested markets than in complacent one-newspaper cities like many in North America. The rough-and-tumble newspapermen of legend have been replaced by community-oriented editors who take their lead from focus groups. US newspaper readership, by the way, is falling faster than elsewhere.

Moreover, for all their post-Watergate reputation for aggressive investigation of public figures, US newspapers are becoming more squeamish on sexual matters – squeezed between puritanism and political correctness.

That illustrates a universal law. Newspapers are not alien implants; each reflects its culture, and that culture changes, sometimes even for the better. The privacy-invading excesses in Germany in the 1970s which inspired Heinrich Böll's novel, *The Lost Honour of Katharina Blum*, a fierce attack on press ethics, faded away when the political climate changed, without the need for new laws.

Additional reporting by Our Foreign Staff

·LETTERS TO THE EDITOR·

Number One Southwark Bridge, London SE1 9HL

We are keen to encourage letters from readers around the world. Letters may be faxed to +44 171-873 5938 (please set fax to 'fine'). e.mail: letters.editor@ft.com Published letters are also available on the FT web site, http://www.FT.com Translation may be available for letters written in the main international languages.

Climate so easy to underestimate

From Mr James Denman.

Sir, Your analysis of environmental policy choices ("Prophecy of the birds", August 30) is valuable in addressing the environment. However, it seems flawed in several important ways.

First, there is its treatment of risk. We have only one world, and we don't understand climate fully. Particularly for the more developed nations, who can lead with policies and technologies, we have a responsibility to act with due caution.

That caution means acting now to minimise our effects on the globe, not minimising our actions.

Second, do we really have accurate estimates? Our energy consumption – the rate of change of climate – is rising remorselessly, and India and China are chasing it. Two further degrees of global warming do not sound much in this context.

Third, climate is so fundamental that its costs are easy to underestimate. Flooding, the spread of disease, increased storm damage, ocean current changes, have very significant costs. If northern Europe became malarial or the Gulf Stream no longer warmed our shores, the costs you quote would seem small. And who can say authoritatively that these things won't happen?

Most important, your article is flawed in its conclusion. There is not and never has been a shortage of ways of saving energy (a recent book, *Factor 4*, details hundreds of them), but market participants respond to the current incentive structure by ignoring them. For example, cars with double current fuel efficiency are perfectly feasible but more expensive. The result: people prefer to drive a gas-guzzler rather than paying extra for an efficient car. The unpalatable truth is that only higher prices for energy will lead us to use less of it.

We have an awesome responsibility to take action. Most effectively we can commit to raising (say, tripling) energy prices over a long period (for example 10-15 years). Until we do this, we are fiddling while Rome begins to burn.

James Denman,
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Mount Ararat Road,
Richmond,
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Poverty and military expenditure

From Helga Hoffmann.

Mahbub ul Haq writes well on poverty, as his article "The poverty puzzle" (August 14) proves once more. But why did he forget reduction of military expenditures, one of his pet subjects, when he dealt with poverty as co-ordinator of the Human Development Report at the United Nations Development Programme? And why did military expenditure increase so much while he was finance minister of Pakistan?

Helga Hoffmann,
Las Nieves 3567, dto 602,
Santiago, Chile

Road pricing will cause more than a little harm to drivers

From Mr Nicholas Khan.

Sir, Mr David Rudd's grasp of elementary arithmetic (Letters, 28 August) does not justify his disdain of the "millions of innumerate people" clogging up the roads.

If those who would pay £200 annually in road charges represent people whose driving habits would be unchanged in the face of road pricing, those paying £100 would have to reduce their peak hour driving by a half – presumably by using public transport for commuting.

While I admit there is no virtue in being miserable for the sake of it, the implications for the lives and fortunes of those who yield to this "little" change in behaviour, as Mr Rudd describes it, goes unacknowledged either in his calculus of human misery or of gains and costs.

The logical extension of Mr Rudd's argument is that if motorists gave up their cars altogether they would not only save £145 road tax and any future road charges, but the cost of insurance, maintenance, fuel and the capital tied up in the vehicle. This can amount to several thousand pounds a year, yet because of the convenience and flexibility of personal transport, and the time and hence money that can be saved by using a car rather than any other form of transport (in some but not all situations), motoring continues.

Furthermore, Mr Rudd's slogan "Road pricing will make you richer!" depends wholly on the notion that the government would strike the balance between road pricing and vehicle excise duty so as to allow a substantial percentage of motorists to reduce their motoring costs. Anybody who believes this deserves to be a great deal poorer.

Nicholas Khan,
58 Rue de la Brasserie,
Brussels,
1050,
Belgium

Wake up now to the realities of Scottish home rulers' terms

From Mr Richard Mowbray.

Sir, As an opponent of devolution, may I present to your readers the Scottish home rulers' terms for the operation of the UK until 2007 – the tercentennial of the Treaty of Union with England?

1) Since, despite our numerous warnings, England has persistently elected governments of which we disapprove, we have decided that the existing set-up is undemocratic. We intend to have our own parliament henceforth, in case you re-elect the Conservatives.

2) To ensure England's good behaviour up to 2007:

a) we shall continue to send 72 MPs to Westminster to determine England's affairs. You, of course, will have no say in ours; and

b) we intend to retain one-third of the members of the cabinet, including the three main offices of state.

3) Since our own tax revenues are insufficient to cover our expenditure on public services (as you know, the latter is 33 per cent higher per head of our population than it is of yours), you and your bankers will continue to transfer to us at least £6bn a year, no strings attached.

4) We intend to take a power to vary income tax. Should the yield fall in the future, you will nevertheless guarantee us up to an additional £450m a year.

5) We intend to vary our system and level of local taxation, but warn you not to interfere with the transfer of funds indicated at (3) above.

6) You will implement any future agreements with, and policies of, the European Union only with our express agreement.

7) On September 11, a referendum will be held to seek the approval of the Scottish people for the above terms. You will not be, nor do you deserve to be, consulted on the matter.

8) The new Union will come into force in 1999. Take it or leave it (we probably will).

For God's sake, England, wake up!

Richard Mowbray,
executive member,
Think Twice Group,
14 Ancaster Drive,
Glasgow G13 1ND, UK

Updating a definition of the board

From Mr Mark Watson.

Sir, As Mr Donald Butcher points out ("What shareholders should do now", Letters August 29), defining corporate governance is a difficult task. However, surely the Hampel report is right in attempting to do so.

One could be critical of the definitions used to date, as there appears to be a preoccupation with structure and processes. This reflects the overall emphasis placed on control vis a vis enterprise. Yet, if the board is to be responsible for good governance, it must be made clear that the board has to provide the company with enterprise while collectively acting with integrity.

The general vocabulary used throughout the governance debate – direction, control, ensuring shareholder value – suggests that at the centre of the issue is the role of the board. As Hampel puts it: "It is the board's responsibility to ensure good governance and to account to shareholders for their record in this regard."

Perhaps a new definition might incorporate a definition from the IoD's *Standards for the Board* and be: "Corporate governance focuses the board on its key purpose of ensuring the company's prosperity by collectively directing its affairs and meeting the legitimate interests of the shareholders and other interested parties. It must account to shareholders for its record in this regard."

This implies that, in essence, corporate governance is an holistic expression, embracing the corporate responsibilities of a board of directors and distinguishing the directors' role from those of shareholders and managers.

Mark Watson,
corporate governance executive,
Institute of Directors,
116 Pall Mall,
London SW1Y 5ED UK

Differences between plunder and trade

From Mr David Collison.

Sir, In his review "The ethics of capitalism" (26 August), Martin Wolf contrasts the dirigiste and xenophobic values of "guardians" with the honest dealing, collaboration and instinctive internationalism of "merchants". Indeed these groups are held to correspond with "two ancient ways of making a living: plunder and trade". While each group apparently needs the other, we are left in little doubt as to who wears the white hats.

In a similar comparison, (the much misrepresented) Adam Smith was less complacent about commercial motives and manners: "Were the officers of the army to oppose, with the same zeal and unanimity, any reduction in the number of forces, with which master manufacturers set themselves against every law that is likely to increase the number of their rivals in the home market; were the former to animate their soldiers, in the same manner as the latter inflame their workmen, to attack with violence and outrage the proposers of any such regulation; to attempt to reduce the army would be as dangerous as it has now become to attempt to diminish, in any respect, the monopoly which our manufacturers have obtained against us.

"This monopoly has so much increased the number of some particular tribes of them, that, like an overgrown standing army, they have become formidable to the government, and, upon many occasions, intimidate the legislature." (The Wealth of Nations.)

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Most serious indictment of a press that has lost its head

From Mr D. A. A. Fagandini.

Sir, I wish to add my voice to the swelling outcry demanding a curb on our scurrilous tabloid press which, in this moment of national grief, has the effrontery to talk of its public's prurience as the root cause of the death of Diana, Princess of Wales.

If all this were not enough, the suggestion by James Blitz and Andrew Jack ("Demands for curbs on intrusion grow", September 1) that "the tabloid press would savage the government if it believed legislation was in the offing", and that not even the large parliamentary majority enjoyed by the government would suffice to protect it, is the most serious indictment of a press that has lost its head.

Information is power and power corrupts. Nowhere is there more heady information than in the editorial offices of the press. Mr Blitz and Mr Jack have said it all.

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Company secretary's role

From Ms Caroline J. Phillips.

Sir, I am surprised that Mr John Brewer (Letters, August 15), a company secretary based in Hong Kong, has apparently misunderstood the position of the company secretary in the UK. It is well understood in the UK that ultimate authority and responsibility for corporate governance is vested in the board and particularly the chairman. But it is also well understood that they expect and indeed require the support and advice of the company secretary.

It is the company secretary who ensures that the theories and principles of sound corporate governance are put into practice on a day-to-day basis. It is clear therefore that both as a company secretary and an officer of the company, the company secretary does indeed have a responsibility for corporate governance.

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COMMENT & ANALYSIS

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Opening Japan's skies

Washington's reported decision to seek an aviation agreement with Japan that falls short of "open skies" represents the abandonment of a cherished US principle.

The US has concluded open skies agreements with 25 countriea, all of which signed accords that fitted Washington's "template". The countries had to agree to lift all restrictions on flights between the US and their own airports. They also had to allow US carriers to fly on to third countries.

In spite of Washington's success in opening the skies of its trading partners, two big prizes have eluded it: Japan and tha UK. When the UK demanded that its carriers be allowed to operate domestic flights in the US – something not permitted under the other 25 accords – Washington said London would have to sign the same agreement as everyone else.

But while the US-UK negotiations remain stalled, the US appears close to concluding an accord with Japan that does not fit its template. Japan is ready to grant US carriers more flights than they have today. But its offer falls far ahort of the agreements the US has with the other 25. And while the US-Japan accord will be called an interim agreement, Tokyo has made clear that open skies are not on its agenda.

United Airlines argues that an interim agreement is better than nothing. Northwest Airlines, which has more flights to Japan than any other US carrier, is demanding a full open skies treaty. Some of its rivals accuse it of pressing for open skies in the hope that Japan will opt for the status quo instead. But Northwest's argument is at least consistent with eatablishad US pollcy of demanding the same agreement with all countries.

That policy, however, ia flawed by Washington's refusal to open its domestic market to foreign competition, even as it preaches the virtues of liberalised aviation to othars.

The excuse offered by some US aviation executives – that their unions would not countenance the incursion of foreign airlines into their domestic market – would, rightly, be dismissed if put forward by the airlines of any other country.

The truth is that tha US position has more to do with advancing the Interests of its own airlines than creating a truly liberalised aviation regime.

In doing so, it is not acting any differently from other governments. As long as aviation remains regulated by bilateral agreement, governments will strive to advance what they see as their national interest.

Washington's decision to bow to Japan's pursuit of what it perceives to be its interest showa that liberalisation through inter-country negotiation is close to reaching its limit. Other industries operate under multilateral agreements designed to ensure free trade. Aviation has been the exception for far too long.

Cook's tour

Robin Cook, the British foreign secretary, is discovering just how difficult it is to achieve the "ethical foreign policy" to which he committed himself four months ago. His trip around south-east Asia over the past few days, including stops in Malaysia, Indonesia, the Philippines and Singapore, has given him ample opportunity to preach the new doctrine. It will be much more tricky putting it into practice.

He is right to argue that maintaining dialogue with regimes accused of human rights abuses is better than putting them in purdah. That was clearly the purpose of his visit to Indonasia in particular, where the military has been accused of widespread abuses in the territory of East Timor. He made his disapproval apparent both in his contacts with human rights groups, and in his direct conversation with Mr Ali Alatas, his Indonesian opposite number. But he is not prepared to cancel the bulk of British arms contracts with Indonesia, as many campaignera on the back benches of his own Labour party would wish.

The truth is that most of Mr Cook's human rights initiative in Indonesia is window-dressing. Donating £2,000-worth of political textbooks by the likes of John Stuart Mill is no more than a gesture. Providing lectures on modern police methods is more practical, but scarcely likely to transform the periodic violent confrontations on the streets of Jakarta.

His most substantial proposal was to suggest a delegation of three European Union ambassadors to visit East Timor during Britain'a EU presidency next year, and report back to their governments on the human rights situation there. That should underline the common commitment of the EU to improvements, and bind Britain's partners into the policy. It is precisely how the member states should seek to maximise their influence. But it could lay them open to the charge of recognising Indonesia's annexation of the territory.

Mr Cook'a critics suggest that his policy is barely different in substance to that of the previous government. British Hawk jets will still be sold to Indonesia, and no one can be sure they will not be used for internal repression. A delegation of top Indonesian generals is attending this week's Farnborough arms fair in Britain, in spite of the presence of demonstrators at the gates.

Britain remains one of the world'a largest arms exporters. Mr Cook is right to be caotious about the nature of the regimes to which these arms are sold. Dictatorships make unreliable partners. So do corrupt governments. It makes sense to look for a middle way to combine commercial realism with better behaviour. But it is much easier said than done.

Pension reform

Whila pensions reform is low on western governments' agendas, some eastern European countries are now moving with decisiveness and ingenuity.

As a first step, countries in the region have acknowledged the limited effect of half-measures. Raising retirement age, extending the contribution haae, increasing ratea and reducing benefits, when politically feasible, are part of the aolntion. But these measures alone cannot provide the state-run systems with a new lease of life. Nor can private funds take off where overstretched pay-as-you-go schemes absorb all savings.

In response, far-sighted governments in Hungary and Poland are slimming down their state systems, establishing mandatory private fully-funded pillars and voluntary private schemes. Similar reforms are on the drawing board in the Czech Republic, Estonia, Russia, and Kazakhstan.

This "multi-pillar" approach is not new. It was advocated by the World Bank in 1994 as the best way to avert the "old-age crisis" while encouraging growth, improving the fiscal profile, and boosting financial markets. Little emphasis, however, was put on the cost of honouring accrued pensions liabilities while contributions to the state aystem are trimmed; not to mention the tax incentives necessary to smooth the transition to private funded schemes.

That is why the solution devised by the Polish government deserves praise. While Hungary opted for a bond issue, Poland will finance reform with privatisation receipts.

Linking privatisation and pensions reform should make the burden of transition bearable. There are risks in relying on future privatisation receipts. But since state assets are conservatively valued, selling them could yield more than currently expected – provided the political will to do so survives the ontcome of next month's general election.

This does not mean that all countries should rush to adopt similar models: on the contrary, different countries will need markedly different arrangements. Furthermore, pensions reform is dependent on wider change. For Romania and Bulgaria, among others, establishing an adequate financial market infrastructure with a solid banking system and an active market in government securities is a prerequisite.

The real lesson from Asia

There was nothing miraculous about Asia's miracle. And there is no good reason why it cannot continue, says **Martin Wolf**

Is the Asian "miracle" over? Despite the turmoil in the region'a stock markets, which has driven the FT/S&P Pacific Basin (ex-Japan) index down 9 per cent in the past week, the short answer is no. That reply will disappoint many in Europe and North America – all those, that is, who dislike boasts of "Asian values", fear Asian competition or detest the triumph of these outward-looking market economies.

Yet disappointed they will almost certainly be. Their only hope is for the governments of the countries concerned to lose their heads, as did the Brazilians after the first oil shock in the 1970s. Mistaken policies then ended a period of growth that had been comparable to that of the Asian tigers.

What happened in east Asia over the past few decades was never a miracle and, for that reason, is unlikely to vanish overnight. The present upheaval may be painful, not least to the amour propre of such leaders as Mahathir Mohamad, Malaysia's prime minister. But it will pass.

The atarting point for any understanding of Asian success is the gap between the output per person in the tiger economies and that in the most advanced economies in the world. This gap defines the opportunity for catching up.

Catching up is precisely what east Asian economies have been doing. Between 1970 and 1995, the gross national product per head of South Korea rose almost eleven-fold, of Hong Kong four-fold and of Thailand three-and-a-half-fold. In 1970, Korea's real income per head (at purchasing power parity) was some 15 per cent of that level. By 1995 it was over 40 per cent of the US level. Thailand's Income per head has risen from some 11 per cent to 28 per cent of US levels over the same quarter of a century. This is convergence at work. Japan, Hong Kong and Singapore have already caught up.

Inevitably, the opportunity for rapid growth is a function of the siza of the remaining gap. On average, argues Jeffrey Sachs of Harvard University, a doubling of real income per head reduces the underlying growth rate by 1.4 percentage points. If US real income per head will grow sustainably at 1½ per cent a year, Japan's would be expected to grow about as fast, South Korea's at a little over 3 per cent and Thailand's at about 4 per cent.

Yet these are merely tendencies. Individual countries can do better. Hong Kong, South Korea, Singapore and Taiwan have done so. As if to prove there is nothing geographically determined about east Asian performance, the Philippines has, until quite recently, done far worse.

What is striking about the region, however, is how many countries have managed to seize available opportunities to import modern technology and managerial skills and converge on the incomes enjoyed by advanced countries. They have done so because of their imitation of one another. This is neither a miracle nor the fruit of uniquely Asian virtues: Chile has already demonstrated that it is possible to learn from east Aslan countries, despite being an ocean away.

Policy is what matters: successful countries have made economic growth a priority; they have followed prudent macroeconomic policies; they have generated extraordinarily high savings rates; they have removed obstacles to trade, particularly to exports; they have kept real exchange rates at competitive levels; they have intervened so in directions encouraged by the market; and they have promoted mass literacy.

The question raised by the present turmoil is whether such fundameotal forces for rapid growth have become irrelevant. There are three arguments:

- That the opportunities for catch up are rapidly diminishing;
- That even though these opportunities are not diminishing quickly, east Aslan countries have lost the capacity to exploit them;
- That a hostile world environment will prevent the countries from exploiting their potential, as happened in the 1930s.

Take these three arguments in turn. In the first place, the countries most affected by the market turbulence – Thailand, Malaysia, Indonesia and the Philippines – still possess substantial room for catching up. Maybe the exceptionally rapid growth of the first half of the 1990s will not be sustained. But sharp reductions in past rates of growth seem far more plausible for Singapore or Hong Kong, which have been relatively untroubled by the markets, than for Indonesia, Malaysia or Thailand.

In the second place, those worried about the loss of the capacity to deliver fast growth can point to clear signs of hubris in Mahathir's Malaysia, the late-regime decay of Suharto's rule over Indonesia or the declining authority of the technocrats in Thailand. Yet, except conceivably for Thailand, it is far from evident that the others have lost the policy threads binding them to past successes.

Finally, there is nothing in the global environment to suggest continued rapid growth is infeasible. True, east Asian countries have to adjust to the rising competition of China, but the latter's growth also creates opportunities for them, as the US has done for Canada. On balance, the underlying global environment is more liberal than at any time since the early part of the ceotury and more stable than since the 1960s.

If there is no reason to believa rapid growth is at an end, how does one explain what is happening? Part of the answer is that market economies never proceed in straight lines. Before tha first world war, the US economy was notoriously unstable, which hardly prevented it from growing explosively. The chances of failing to match capacity with output, or demands for loans with the ability of financial institutions to lend sensibly, are particularly high in dynamic but immature economies.

Fortunately, in the case of the east Asian countries, there is also a perfectly good short- to medium-term explanation for the turmoil. It lies in the gyrations of the dollar, particularly against the yen, set against the background of heavily managed exchange rates and immature and inefficient financial aystems.

The story can be told most easily of Thailand – the epicentre of the earthquake. During the dollar weakness up to spring 1995, east Asian economies with currencies closely linked to the dollar enjoyed superb competitiveness, not least against producers based In Japan. This helped trigger exceptional growth: the Thai economy expanded at an average rate of 8.4 per cent a year between 1990 and 1995.

Rapid growth, combined with the emerging market euphoria, stimulated huge capital flows. Thailand was able to run a current account deficit averaging close to 7 per ceot of GDP between 1990 and 1995. If the exchange rate had been floating, such capital flows would have driven up the currency. Under Thailand's fixed rate, they helped stimulate inflatlooary excess demand. They did so by keeping interest rates low and stimulating borrowing, particularly for investment in property. Monetary policy could do little about this, given the commitment to the fixed exchange rate.

Things as good as this have to come to an end. With the appreciation of the dollar, they did. The effects on Thailand's exports were exacerbated by the global slowdown in electronics. Also important was the emergence of supply constraints in an economy that had been running flat out for years.

A great deal of what then happened was the result of a foolish resistance to overwhelming market pressure for devaluation. Even now, the decline in east Asian exchange rates against the resurgent dollar is not extraordinary by global standards. Over the past 12 months, the depreciation of the D-Mark has been bigger than that of the Malaysian dollar and not all that much smaller than of the Thai baht.

So would all have been well if the baht had been allowed to float fairly freely throughout? The answer is that things would have been far better. At the least the transmission of external pressures on to the domestic economy would have had far milder effects.

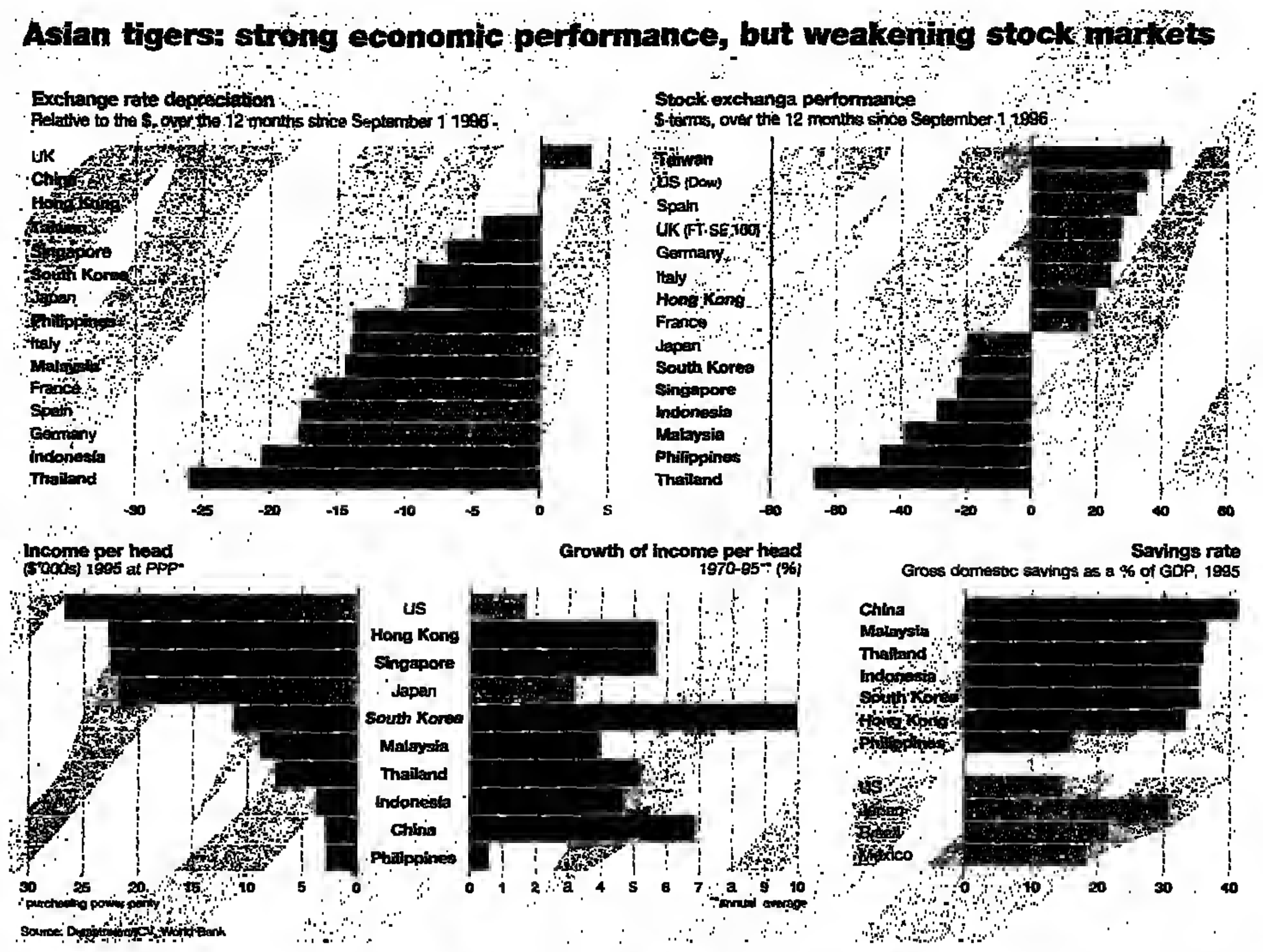
Should all be well now that the baht is floating? Alas no. Policy errors leave long shadows. In this case Thailand's mistakes have hurt its neighbours, partly because they must be concerned about their competitive position and partly because of the contagioo that is now infecting the region.

Yet the deepest shadows are always at home. In the defence of the exchange rate the central bank has laid out over $23bn of Thailand's reserves, while high interest rates (to defend the currency) have damaged the solvency of the private sector. Still more seriously, the fixed exchange rate encouraged the private aector to run up short-term foreign debts of around $50bn. An exchange-rate commitment that fails is, in short, a machine for destroying a private sector's solvency.

The legacy of the episode is serious. The current consensus is that the Thai economy will grow by less than 2 per cent this year and by not much more in 1998. This is disappointing. But after years of growth at 8 per cent, it is hardly a catastrophe.

In the region as a whole, the devaluations will be helpful. For the rest, what matters is to take advantage of the opportunity to put their houses in order. It is precisely because the performance of the region has not been a miracle that this is possible. But, for the same reason, growth does depend on sustaining the right policies. Opportunities can be thrown away, as the history of Latin America repeatedly shows.

The east Asian model has oot collapsed. Rather, the combination of fixed exchange rates with distorted financial systems is inconsistent with stable growth. That is the true lesson of the Asian turmoil.



· O B S E R V E R ·

Conviction politics

■ From now on, it seems, law-breakers can't be law-makers in India. The country's Election Commission says it is going to ban anyone with a criminal conviction from running for public office.

All would-be politicians will have to reveal whether they've been found guilty of any crime, what they did and how long they were banged up for. A conviction for rape, fraudulent impersonation or corruption will debar anyone from politics – even if an appeal is in progress.

Criminals in parliament "pollute the very basis of the law", says M.S. Gill, India's Chief Election Commissioner. That's all very well, but Indian law has long barred individuals convicted of serious offences from running for office for six years. That rule is rarely enforced.

The result is that around 40 members of India'a Lok Sabha, the lower house of parliament, have faced serious charges, while electoral officials say 700 members of the nation's various state assemblies also have big black marks against them. Gill now insists that the bad old days are over, which might have sounded more impressive if the commission's order was retrospective. As it is, ex-convicts already sitting in parliament can carry on.

Signs off

■ Those Irish theme pubs spreading across the globe are imposing a terrible price on travellers in the Emerald Isle. The country's distinctive black and white metal signposts aren't too plentiful at the best of times, but now thieves are raiding crossroads across the country to meet demand for that extra bit of atmosphere in the various Paddy's Bars and Fingal's Caffs. In county Waterford alone, 120 signs have disappeared in the last few months.

What next? Will whola villages disappear? Might old men be whisked away to stand by some distant Autobahn? Let's hope the world's appetite for things Irish knows some bounds.

Omar goodness

■ Things just get worse for Omar Fassi Lavalle, the former Argentine tourism secretary whose reputation never recovered after he was discovered sunning himself on the beach – in Uruguay.

Earlier this year the Buenos Aires city authorities took exception to his Ski Ranch restaurant, claiming it had been built illegally on municipal land. They bulldozed it to the ground. Last week, television viewers were treated to live coverage of raids by the taxman at numerous properties owned by Fassi Lavalle and his glamorous wife Liz. The allegation is that the couple, once part of President Carlos Menem's inner circle, have consistently underpaid their taxes.

Flamboyant, self-made businessman Fassi Lavalle has hit back hard, saying he'll sue the government over the accusations, which he claims are part of a campaign against him. The anthorities' new-found zeal is not, of course, connected to the ruling Peronist party's desire to spruce up its image ahead of October's mid-term elections.

Key shares

■ Quite a turnround for C. Bechstein Pianofortefabrik, which makes expensive pianos. Four years years ago this week, the ivories-provider to – among others – Richard Wagner and Franz Liszt was rescued from oblivion: now it's heading for a listing on the Berlin Stock Exchange. The flotation of the 144-year-old company won't be rivalling Deutsche Telekom – there'll just over 2,400 shares at DM 2,000 ($1,098) apiece.

The company's owner, Karl Schulze, says he's keeping control. Schulze bought the company in 1985 after it had drifted downmarket under the 20-year ownership of US keyboard company Baldwin, and set about restoring its ability to compete with Steinway in the concert hall market. But it was caught by recession in the early 1990s and only survived after the Berlin senate agreed to buy and lease back its headquarters near Checkpoint Charlie. Now the tune is much more upbeat.

Fair comment

■ British foreign minister Robin Cook had a delicate balancing act to perform in Singapore yesterday as he wrapped up his tour of the Far East, where he's been lecturing everyone on the importance of human rights. There he was at a press conference in Raffles Hotel, and journalists kept asking him whether – given unease about the media pursuit of Princess Diana – the British press had too much freedom.

Cook had spent part of yesterday telling Singapore ministers he was unimpressed by restrictions on the circulation of papers they don't like. But facing the press, Cook was coy about what he clearly considered the inadequate freedom of the fourth estate in Singapore and its excessive licence back home in Britain.

The Financial Times

100 years ago

Locusts In Argentina
Though crop prospects in Argentina are promising at present, the wheat has yet to run the gauntlet of the locusts, and, in a sporting sense, the odds are on the locusts. The time when the periodical visits of these pests began is not known: it is shrouded in the mists of antiquity, which, to all practical purposes, enveloped Argentina until some 50 years or so ago. There is a legendary belief among the natives in the provinces that the good old times, before the "Gringoes" came, when the country was a purely pastoral one, the locusts came every seven years.

50 years ago

Wealth For Belgium?
Brussels, 1st Sept. Prospects of tremendous colonial wealth far exceeding 17th century Spain or 19th century Britain are being dangled before the Belgians by independent and anti-Government newspapers still trying to pierce the secrecy of the vast atomic potential of the Belgian Congo mines. It is claimed here on questionable authority that the quantities of uranium which the U.S. has bought from the Belgian Congo in the last seven years alone represent six times as much physical energy as that of the petrol reserves of America.

FINANCIAL TIMES

Tuesday September 2 1997

Hong Kong stock market plunges amid fallout fears

Hang Seng loses 5% value during trading

By John Ridding in Hong Kong

Hong Kong's stock market plunged yesterday, fuelling fears that the fallout from the south-east Asian currency crisis is creating a vicious circle of selling pressure in the territory.

The benchmark Hang Seng index lost 5 per cent of its value in afternoon trading, as European institutional selling and falls in blue chips spread to shares of China-backed companies and retail investors.

The sharp fall in afternoon trading took losses on the index to almost 15 per cent in the past three trading days, wiping out gains for the year. However, Hong Kong shares trading in London regained some ground, with the Hang Seng London Reference Index gaining just over 2 per cent.

"The selling today was much more broadly-based," said Pauline Gately, regional strategist at BZW Asia. She cited a combination of forces behind the fall, including redemptions by international mutual funds and margin calls on local investors. "The market could go down further", she added, citing a support level of 12,800 points compared with yesterday's close of 13,425.65 points.

Several analysts said the most significant development was the sharp falls in China-linked shares. So far, these issues have been resilient to the downturn and have been viewed as a gauge of retail investors' confidence. "There was strong selling by individuals," said Marshall Mays, chief strategist at Nikko Securities. "There is increasing agitation because people don't know what the downside is."

The index which measures red chips, Hong Kong-based companies controlled by mainland interests, fell by 9.4 per cent. H-shares, the Hong Kong listings of Chinese state enterprises fell by an average of 11.7 per cent. "There is a risk of a vicious circle as retail investors are forced to sell to cover margin positions," said Ms Gately at BZW.

Selling pressure partly reflects moves by international investors seeking to minimise exposure to south-east Asia and exiting the relatively liquid Hong Kong market. It also stems from fears that the regional currency crisis will spread to the territory, forcing interest rates higher.

Interbank rates remained relatively stable yesterday, with the overnight rate falling from 7.25 per cent in the morning to 6.75 per cent in the late afternoon. The Hong Kong dollar was also fairly steady, trading at about HK$7.74 to the US dollar, compared with its peg rate of HK$7.80.

With the downturn apparently triggered by European institutional selling, Mr Mays said the fortunes of the Hong Kong market were being determined increasingly by sentiment elsewhere.

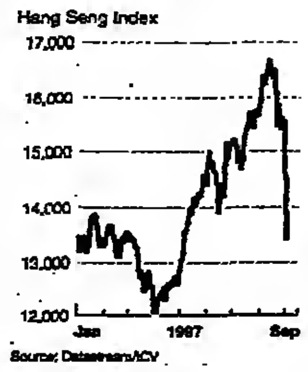
Despite the sharp fall, several commentators said there were positive forces in the market. "There is still a lot of demand for Chinese assets, and this downturn will make them more attractive," said Gary Coull, chief executive of Credit Lyonnais Securities (Asia).

The turmoil in south-east Asian markets continued yesterday. In the Philippines, the stock market hit a four-year low as banks' overnight lending rates soared to an average of 33.5 per cent from 12 per cent on Friday.

Big losers in Hong Kong yesterday included Beijing Enterprises, the investment arm of the Beijing municipal government, which fell HK$7.50 to HK$51.00. Hang Seng Bank fell HK$8.25 to HK$85.25, while Cheung Kong, the property flagship of Li Ka-shing, fell HK$3.50 to HK$78.50.

Hong Kong

Hang Seng Index



Source: Datastream/ICV

Philippine rates soar, Page 6
The Asian miracle, Page 15

US regulator considers reopening auction of wireless phone licences

By Richard Waters in New York

The Federal Communications Commission will this week consider a controversial plan to reopen an auction of wireless telephone licences in the US that had promised to raise $10bn for the country's taxpayers.

The plan, which has the backing of Reed Hundt, FCC chairman, would in effect relieve the original bidders of their obligation to pay what they had promised for the licences and reduce the amount of money that would be raised.

If adopted, the plan could lead to a wave of lawsuits and recriminations among telephone companies. Any official relief is set to prompt a backlash from other wireless companies that have already paid for licences they bid for. Partly as a result, commissioners of the FCC are believed to be divided over the proposal, making the prospects for a re-auction uncertain.

The licences, known as the "C" Block, were put up for sale two years ago by the FCC during a series of auctions of the radio spectrum. Unlike the other auctions, however, successful bidders were allowed to delay payments for their licences for a number of years. Partly as a result, successful bidders agreed to pay far more for licences than those in earlier rounds.

These companies include NextWave, a start-up company backed by Sony and South Korean interests, which agreed to pay $4bn for its licences.

Concern on Wall Street that "C" Block bidders agreed to pay too much for their licences has made it hard for them to raise the money to build their networks and has led to a round of lobbying for lighter payment terms.

Last week, Mr Hundt said of the value established by the "C" Block auction: "We need to have a way to have the market reset it, and that's what we'll do. Anyone who wants to come in under our technique, which we will unveil next week, can buy the licences." He refused to give further details of how the auctions would be reopened.

Legal action could leave the "C" Block licences tied up in court. "You can imagine there will be lawsuits," said Sprint PCS, which is building a network based on licences obtained in other auctions. Sprint PCS has said it will vehemently oppose any attempt to change the terms of the "C" Block auction.

FCC staffers fear that if the bidders are unable to pay what they had originally promised, their licences could eventually be tied up in bankruptcy court for years, reducing the potential competition among wireless carriers.

"Fair value [for the licences] is what the market will pay on a given day," Mr Hundt said. "You've got a bunch of people who promised to pay you a million dollars per tulip bulb during the tulip bulb craze, and that's not what a tulip bulb is worth in the market and they can't pay that."

He added: "All you've got to do is have the market figure out a way to reset the obligations, and I think our staff here has figured out a way to do that."

See Lex

THE LEX COLUMN

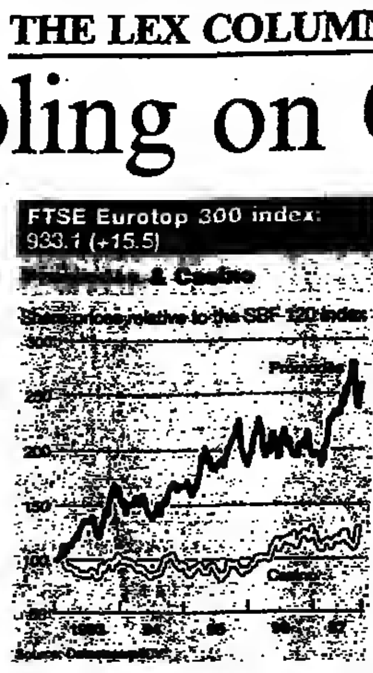
Gambling on Casino

Since the French government passed a law discouraging the building of new supermarkets, the easiest way for food retailers to boost sales has been to buy their competitors. They have responded with alacrity. In tha past 14 months, Auchan has bought Docks de France, Carrefour has acquired control of Cora and now Promodès is hoping to snap up Casino.

Consolidation makes sense in a mature market like France. Promodès could achieve savings on head office, distribution and marketing costs. And it would gain more buying muscle when dealing with food manufacturers. Promodès will not say how much that adds up to. But it needs to be a lot. Planning restrictions create scarcity value, so supermarket valuations have soared. Promodès talks of earnings enhancement on the deal in 1999, but since the acquisition is funded by cheap debt that is hardly an adequate threshold. Look at it in terms of achieving, say, a 9 per cent after-tax return on its investment, and operating profits need to more than double. That means FFr2bn ($320m) of cost synergies are required, which is a tall order.

A premium of just 15 per cent over Friday's close may still sound mean. But Promodès is making its task easier by separately offering a 66 per cent premium to buy out Casino's largest shareholder, Rallye. And Rallye is controlled by Casino's chairman. Besides, there are no obvious alternative French buyers and there will be no white knights crossing La Manche from Britain at this kind of valuation.

FTSE Eurotop 300 index: 933.1 (+15.5)



US spectrum

The US Federal Communications Commission has got into a fine old twist over the auction of the spectrum for mobile communications two years ago. In theory, this was a clever idea. Selling a scarce resource to the highest bidder not only "raised" $10bn; it should also have meant the companies best placed to exploit the licences would win them. In practice, the episode has become an object lesson in how not to run an auction. The main bidders may now be unable to fulfil their side of the bargain.

The original auction was flawed in two ways. First, the bidders made only minimal upfront payments. In effect, they received giant one-way options; serious dollars would be handed over only once the ventures were more established. Second, the FCC apparently lacks a quick way of reclaiming the spectrum if the payments are not made.

All this is bad enough. But the FCC may make things even worse by reopening the auction. The exact mechanism the FCC is considering is unclear. But companies that have kept to the rules and paid for their licences will rightly feel miffed if their rivals are let off the hook. Indeed, if they sue, they may also defeat the FCC's aim of bringing the spectrum into rapid use.

It would surely be better to stick with the original deals, force those who cannot pay into bankruptcy and hold a proper post mortem into why the whole process became such a dog's dinner. That would at least salvage the important principle that a deal is a deal.

UK brewing

Bass agreed to acquire fellow UK brewer Carlsberg-Tetley over a year ago, but the structure of the brewing industry is only just becoming clear. The government hoped an independent CT would ensure rigorous competition in brewing. But CT is expected imminently to announce brewery closures and a refocusing on fewer brands. And this could have much the same effect as a Bass merger.

The future ownership of CT remains uncertain. Allied Domecq is due to buy back 15 per cent of the brewer from Carlsberg, and Allied would gladly wriggle out of the purchase. Carlsberg itself would dearly love to find a committed buyer for most of its stake. But with a 10 year supply contract to Allied's pubs, CT's survival is assured. However, it will be a bit-player and could shrink further by, say, axing production of premium lager in the UK and importing it from its Danish parent. Preventing the Bass acquisition of CT will have done little for the consumer; it will have just made the process of consolidation a little slower. Smaller brewers which lack premium brands will face increasing pressure. They may well want to stop brewing and concentrate on running pubs. But, for the big brewers with brand recognition, life is looking up. Wholesale beer prices are already rising faster than inflation, while more affluent consumers are paying up for fashionable beers. For those brewers such as Bass that concentrate on building premium brands rather than churning out cheap beer, profits and share prices should improve.

UK windfalls

Is the current windfall binge just the beginning? HSBC reckons so, estimating that £25bn ($41bn) could yet come from further demutualisations. Certainly there are plenty of mutuals left – not just building societies and life assurers, but oddities such as the Co-op and the Royal Automobile Club. HSBC even suggests demutualising the church.

Back on this planet, however, £25bn looks an overegged guess. Take the building societies. The remainder might be worth £14bn, but cashing this will be tricky. The biggies, notably Nationwide and Bradford & Bingley, are staunch traditionalists. And even if Nationwide's recent anti-conversion vote was not final, it is undeniably a setback. Nor, for the moment, are these businesses tempting takeover targets; at current bank valuations they are pricey.

The mutual life assurers are cheaper. But Scottish Amicable's fate will not have encouraged smaller mutuals' managements to risk conversion lightly. Moreover, take one over and the proceeds tend to benefit customers' life policies more than their pockets. Only about a third of the ScotAm payout is coming in cash.

Still, suppose HSBC is right. Would £25bn be much of a worry for the economy? Hardly. Spread it over five years, as the bank suggests, £5bn is tiny compared, for instance, with 1996's £230bn increase in households' net wealth. And in practice just a third or so would probably be spent, boosting annual consumer spending by a none-too-terrifying 0.4 per cent.

Diana

Continued from Page 1

prime minister, said judges should be more rigorous in interpreting existing legislation to protect private lives.

Paris police continued to hold for questioning seven photographers who were arrested at the scene of the crash early on Sunday.

World landmines ban urged at conference

Continued from Page 1

export, production and stockpiling of anti-personnel mines were said to include the verification process for decommissioning weapons, a proposed 10-year deadline for countries to comply with the ban and the issue of compensation for arms manufacturers. One delegate said there was also disagreement over whether some dual-purpose mines, aimed at either vehicles or personnel, should be included in the treaty.

Nevertheless, Bjorn Skogmo, secretary-general of the Oslo conference, expressed optimism that delegates would agree a treaty, albeit with exclusions, in time for it to be signed in Ottawa this December.

Most western European countries have embraced policies similar to those of the UK, which has committed itself to halting the manufacture and export of landmines while decommissioning existing stocks by 2005.

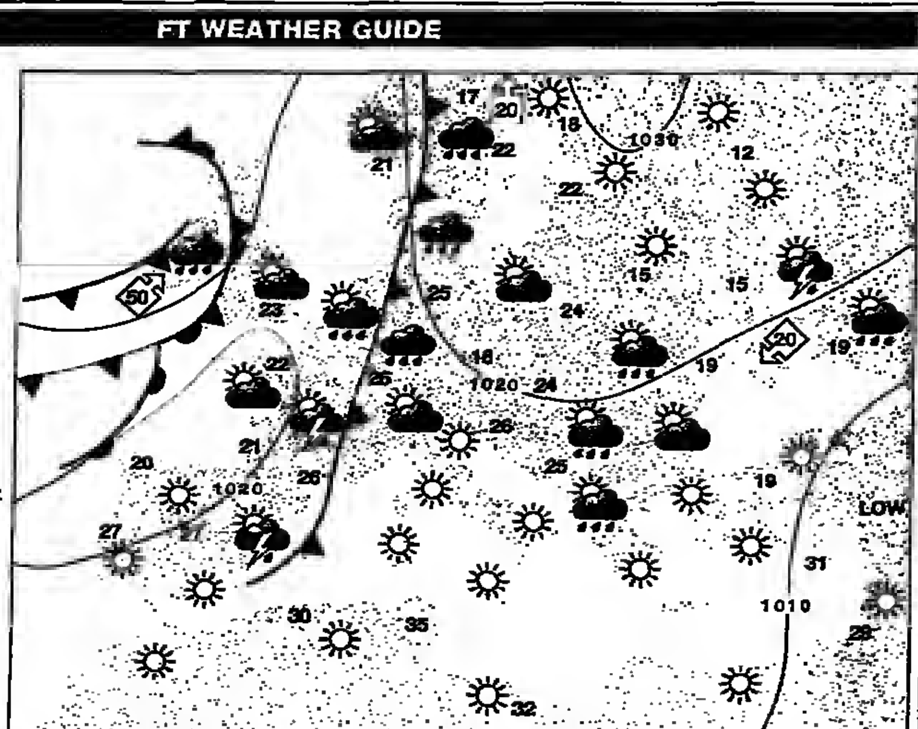
FT WEATHER GUIDE

Europe today

Northern and eastern Scandinavia will be mainly dry and sunny. Southern and central Scandinavia will be unsettled, with heavy showers. The Low Countries and western Germany will be showery, but will brighten up later. The alpine regions will start fine, but thundery showers are likely later. Eastern Europe will be mostly dry and warm, with sunny spells, but isolated thundery downpours are possible in Ukraine, Romania and Bulgaria. France will be warm and sunny, except for the south-east where there will be thunderstorms. The Balearics may be thundery, but most of the Mediterranean will be hot and sunny.

Five-day forecast

Scandinavia will have showers, but north-eastern Europe will be mostly dry and sunny. Thunder in the western Mediterranean today will have moved eastwards by Thursday. A band of rain will move from France on Thursday south-eastwards into central and eastern Europe on Friday.



Situation at midday. Temperatures maximum for day. Forecasts by PA WeatherCentre

TODAY'S TEMPERATURES

	Maximum Celsius										
Abu Dhabi	Sun 40	Beijing	Sun 28	Cardiff	Cloudy 21	Frankfurt	Fair 27	Madrid	Sun 27	Rangoon	Cloudy 30
Accra	Fair 30	Belfast	Rain 16	Casablanca	Fair 28	Geneva	Shower 23	Majorca	Thunder 28	Reykjavik	Fair 14
Algiers	Fair 30	Belgrade	Cloudy 24	Chicago	Thunder 27	Gibraltar	Sun 27	Malta	Fair 29	Rio	Sun 30
Amsterdam	Shower 19	Berlin	Shower 29	Cologne	Thunder 23	Glasgow	Rain 17	Manchester	Cloudy 21	Rome	Sun 30
Athens	Fair 29	Bermuda	Shower 30	Dakar	Shower 31	Hamburg	Thunder 24	Manila	Shower 32	S. Frsco	Fair 23
Atlanta	Shower 32	Bogota	Fair 21	Dallas	Fair 38	Helsinki	Sun 18	Melbourne	Rain 18	Seoul	Shower 28
B. Aires	Fair 16	Bombay	Shower 31	Delhi	Fair 35	Hong Kong	Cloudy 33	Mexico City	Fair 22	Singapore	Fair 32
B.Ham	Fair 23	Brussels	Shower 18	Dubai	Sun 41	Honolulu	Fair 33	Miami	Fair 32	Stockholm	Cloudy 22
Bangkok	Shower 33	Budapest	Fair 25	Dublin	Rain 19	Istanbul	Shower 23	Milan	Sun 30	Strasbourg	Thunder 26
Barcelona	Fair 25	C.Hagen	Cloudy 22	Dubrovnik	Fair 28	Jakarta	Fair 32	Montreal	Shower 24	Sydney	Rain 21
		Cairo	Sun 32	Edinburgh	Cloudy 18	Jersey	Fair 20	Moscow	Cloudy 10	Tangier	Sun 28
		Caracas	Sun 32	Faro	Sun 27	Johannesburg	Sun 22	Munich	Sun 27	Tel Aviv	Sun 30
						Karachi	Fair 34	Nairobi	Fair 25	Tokyo	Fair 32
						Kuwait	Sun 44	Naples	Fair 29	Toronto	Shower 26
						L. Angeles	Fair 27	Nassau	Fair 33	Vancouver	Fair 20
						Las Palmas	Sun 27	New York	Fair 29	Venice	Sun 26
						Lima	Fair 24	Nice	Fair 27	Vienna	Fair 26
						Lisbon	Sun 27	Nicosia	Sun 31	Warsaw	Fair 24
						London	Fair 23	Oslo	Shower 21	Washington	Sun 31
						Lux.Bourg	Rain 20	Paris	Fair 22	Wellington	Fair 13
						Lyon	Shower 25	Perth	Shower 16	Winnipeg	Sun 18
						Madeira	Fair 24	Prague	Sun 27	Zurich	Fair 24

FINANCIAL TIMES

COMPANIES & MARKETS

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IN BRIEF

Endesa upbeat over Enersis bid

Endesa, the state-controlled Spanish electricity company, still hopes to secure a $1.5bn investment in the Chile-based power group Enersis after it suffered a setback to its plan for taking effective control of the operation. Page 18

Fifa settles row over TV sports contract
Fifa, world soccer's governing body, has brokered a peace deal between Kirch, the German media group, and Sporis/ISL, the Switzerland-based marketing company, following a row that threatened one of the world's biggest TV sports contracts. Page 18

First Pacific profits rise 21%
First Pacific, the Hong Kong-based conglomerate controlled by the Salim group of Indonesia, announced net profits of $110.2m for the first half, a rise of 21 per cent over 1996. Page 18

Private caterer in FFr2.8bn buy-out
One of Europe's largest privately held catering companies announced a FFr2.8bn ($461m) leveraged buy-out to create a group focused around restaurant concessions and fast-food. Page 20

Companies in this issue

Chief price changes yesterday

FRANKFURT (DM)				**TOKYO (Yen)**			
Rises				**Rises**			
BASF	63.30	+	1.40	Daishowa Paper	690	+	31
Hamburg Bekt	462	+	22	**Falls**			
Muench Rueck	576	+	43	Daicel Chem	320	–	22
Viag	765	+	15.50	Fujitsu	1350	–	90
Falls				Kao Corp	1700	–	80
Dragerwerk	38	–	2	Ono Pharm	3760	–	220
Horten	235	–	5	Suzuki Motor	1060	–	80
LONDON (Pence)				**HONG KONG (HK$)**			
Rises				**Rises**			
Crabtree	95	+	5½	CDL Hotels	3.10	+	0.10
Monarch Res	41½	+	7	Varitronix	11.30	+	0.60
Smith'd. Bachm.	559	+	23½	**Falls**			
Yorkshire Grp	187½	+	12½	Beijing Ents	51	–	7.50
Falls				Cosco Pacific	31.70	–	1.85
Ch. Sidney	83½	–	5	Kowloon Mtr	19.80	–	1.20
Inteli Env	26½	–	12	TVB	25.70	–	1.70
PARIS (FFr)				**BANGKOK (Baht)**			
Rises				**Rises**			
Bertrand Faure	314.50	+	16.50	Amarin Prig	26.25	+	2.25
Carrefour	3777	+	116	Bata Shoe	23.50	+	2.00
Havas	382.40	+	11.50	Foremost	74.00	+	6.50
Promodes	2298	+	109	Thanakix	19.75	+	1.75
Falls				**Falls**			
Chargeurs	346	–	14	Siam Cement	356.00	–	34.00
Sab SA	894	–	56	Sri Trang Agro	40.00	–	4.00

New York & Toronto closed.

Market Statistics http://www.FT.com

Promodès in FFr28bn bids for two rivals

French supermarket group aims at Casino and Rallye

By Andrew Jack in Paris

The French supermarket group Promodès yesterday launched two takeover bids worth a total of FFr28bn ($4.52bn) for its rivals Casino and Rallye, triggering the start of a new round of restructuring in the country's intensely competitive retailing sector.

Its main target is Casino, and its bid for Rallye is designed principally to gain control of that company's 28 per cent stake in Casino.

The bids, bigger than the one launched by the privately-held retailer Auchan for its quoted rival Docks de France last year, could lead to the creation of the largest group in the French domestic market, with combined sales of FFr170bn, including FFr126bn in France and an 18.5 per cent market share.

However, there were growing indications yesterday that Promodès faced a hostile takeover battle, with both Casino and Rallye issuing curt statements during the afternoon saying that the offer had been made without their agreement.

The companies are expected to issue formal reactions after they hold board meetings today.

Promodès has offered FFr340 a share for Casino, in which the founding Guichard family still holds nearly 18 per cent of the voting rights. The bid represents a 19 per cent premium over the average stock market price for the past three months.

It has tendered FFr420 for each Rallye share. Rallye is 75 per cent controlled by Financière Euris, a holding company owned by the French financier Jean-Charles Naouri.

Casino, which owns 111 hypermarkets, 467 supermarkets and more than 2,200 small stores, trades under its own name and others including Géant. Promodès uses brand names including Champion, Continent and Huit à 8.

Paul-Louis Halley, chairman, said that the takeover would swell the combined groups' cash flow from an estimated FFr6bn in 1997 to FFr8bn in the year 2000 through a range of economies.

It would also create a group that would have a strong domestic base better equipped to tackle the intensifying worldwide competition in the sector.

However, he added that it was possible that the group would launch a rights issue as soon as next year, which could in part be used for foreign acquisitions.

He stressed that the founding Halley family, which has over 37 per cent of the shares and more than 50 per cent of the voting rights, has considerable resources to subscribe to any capital increase.

The takeover – which he characterised as a "marriage" – would not lead to any job losses, he said, adding that both corporate headquarters could be maintained.

He said he had no plans to sell off any significant assets owned by Casino or to remove its trading name.

Lex, Page 16

ScottishTelecom in mobile deal

Chief executive Rod Matthews will oversee ScottishTelecom's mobile telecoms which are poised to merge with Martin Dawes Telecommunications' local operation Details, Page 21 Picture: Phil Rider

Franco-US oil group to renew Russian push

By Robert Corzine in Paris

Schlumberger, the Franco-American oil services group, is to make a big push into Russia after having lost money in an earlier foray into the country.

Euan Baird, Schlumberger's Scottish chairman, said Russia could eventually rival the US as the company's biggest business area.

Schlumberger has invested heavily during the past decade in technology aimed at enhancing oil recovery from existing reserves.

Mr Baird believes such technology will prove increasingly attractive to Russian oil companies as they struggle to reverse the steep production declines experienced over the past few years.

Mr Baird predicted that Russian oil producers "won't be able to last much longer without a massive increase in efficiency". He said: "After years of frustration – and for a Scotsman that includes losing money – there are signs that Russia is beginning to see the value of buying high technology oil services."

He said Schlumberger intended to build an essentially Russian business, which would include engineering and manufacturing facilities, although the most advanced technology would be imported from the west. More than 100 Russian engineers would be hired this year, he said.

Mr Baird believes that Russia will be reluctant to allow the big western oil companies into strategic projects in its traditional producing areas such as western Siberia.

If so, that will open up a competitive opportunity for Schlumberger, which has the capabilities to oversee big oil field development projects.

Schlumberger has resisted Russian overtures to sell equipment directly or to enter into joint ventures. "There will be no joint equity companies," he said. "Everything we do will be very easy to undo."

Mr Baird said Schlumberger's expansion into Russia was also intended to blunt future international competition from Russian oil service companies.

"We want to be in there giving them a hard time so they don't have too much appetite to go elsewhere."

Schlumberger's earlier foray into Russia depended on intermediaries who often disappeared after arranging contracts. "Now we intend to become fully integrated into Russia."

Mobil's Japanese subsidiary to cut staff by 30%

By Paul Abrahams in Tokyo

Mobil Sekiyu, the wholly owned Japanese subsidiary of Mobil, the US oil group, is to cut its staff by 30 per cent – a further sign of the sector's turmoil following government-imposed deregulation.

The cuts are on an unprecedented scale in the Japanese oil industry, which has seen sharp profit falls since liberalisation in April last year when existing companies lost their exclusive rights to import petroleum products.

Mobil Sekiyu said it was "adopting a structure that will allow us to survive" in response to the rapidly changing environment and increased level of competition.

Since deregulation, the sector has grappled with plunging prices, continued high costs, and overcapacity in the service station sector.

In the last financial year, the industry's gross margins for petrol sales fell 22 per cent. Mobil said it hoped the job losses – about 300 of its 1,000 staff – could be achieved through early retirement.

If not, it might be forced to consider other options. It indicated that redundancies might have to be compulsory.

"If Mobil had to make forced redundancies, it would be a first for the industry," said Craig Pennington, oil analyst at brokers UBS.

"Unfortunately, I doubt it would set a precedent for companies which are not part of international groups. The domestic oil groups continue to drag their feet on cost-cutting."

The restructuring is the latest of far-reaching measures adopted by Mobil worldwide to improve its profitability and return on assets. Last year, the company set up a European downstream joint venture with British Petroleum.

In June, the company announced a distribution agreement in Japan with Mitsubishi Oil intended to save the groups Y1.2bn ($10m) a year. Despite the job losses, Mobil said it did not expect to close many service stations. So far this year it has closed "tens" of its 3,500 stations.

Japan has 59,000 service stations, of which about 40 per cent should be closed, Mr Pennington said.

However, the unusual structure of the industry – about 80 per cent of the stations are owned by independent dealers – has made it difficult for the oil companies to close outlets.

As part of the restructuring, and in an effort to improve accountability, the company is splitting itself into four cost centres and four profit centres.

The restructuring does not affect Mobil Sekiyu's affiliated subsidiaries. These are Tonen and Kyokuto Petroleum, in which Mobil Sekiyu holds stakes of 25 per cent and 50 per cent respectively.

China set for stake in Jardine bank

Mainland seeks closer ties with Hong Kong group

By John Ridding in Hong Kong

Ka Wah Bank, the Hong Kong financial arm of China's flagship investment vehicle Citic, is set to take a stake in Jardine Fleming Bank, part of the Jardine Fleming group, the Hong Kong-based investment bank.

The proposed agreement is intended to form part of a broader alliance between Jardine Fleming and Citic and adds to the pattern of partnerships between mainland business groups and traditional Hong Kong companies.

Jardine Fleming is jointly owned by Robert Fleming, the UK merchant bank, and Jardine Matheson, one of Hong Kong's founding trading groups. Shares in Ka Wah were suspended yesterday at HK$23.15 (US$2.98) following a surge on the Hong Kong market which has seen them more than treble in value since July. The rally has been prompted by expectations that Citic is planning to develop Ka Wah as a financial conglomerate.

"It looks like a similar strategy to Citic Pacific," said Steven Thompson, chief analyst at Nikko Research, referring to the growth of Citic's other Hong Kong listed vehicle. Jardine Fleming declined to comment on the proposed deal. "It is not our policy to respond to market rumours," said a spokesman.

Banking sources, however, said the deal would help Jardine Fleming expand the activities of its banking subsidiary, a relatively small part of the group which last year reported pre-tax profits of HK$81.82m out of total group profits of US$108m.

More significantly, it is intended to lead to further alliances with Citic, securing a powerful partner to assist Jardine Fleming in expanding on the mainland. Jardine Fleming was long restricted in its mainland activities because of Sino-British political wrangles and Jardine Matheson's support for political reforms in Hong Kong. Over recent months, however, there has been a marked improvement in ties.

In March, Lu Ping, former head of the Hong Kong and Macao Affairs Office, said Jardine Matheson must be given equal treatment on the mainland. Jardine Fleming has been winning an increased amount of business, including the underwriting of mainland equity issues. Michael Sun, who has been charged with developing Jardine Fleming's corporate finance business in China, has built a close relationship with Peter Kwok Viem, chairman of Ka Wah.

Analysts expressed some uncertainty over the motives for Ka Wah, which specialises in corporate finance for mainland companies and already holds a Hong Kong banking licence.

"It could be that they want to acquire expertise or to broaden their range of activities and clients," said the managing director of one Hong Kong investment bank.

Frontline launches $397m hostile bid for ICB Shipping

By Tim Burt in Stockholm

Frontline, the Bermuda-based shipping company, yesterday announced plans to create one of the world's leading tanker fleets by launching a SKr3.12bn ($397m) hostile takeover bid for Swedish rival ICB Shipping.

The mixed share and cash offer – immediately rejected by ICB – follows a wave of consolidation among international shipping operators and would make the enlarged company the biggest independent oil tanker operator behind the Worldwide group of Hong Kong.

Frontline, which is quoted in Oslo, said the takeover promised significant cost savings and would increase the size of its fleet by 46 per cent to 34 vessels, most of them above 150,000 tonnes, with a further 10 ships on order.

"We can cuts costs through better purchasing power and lower crew costs," said Tom Jebsen, chief financial officer at Frontline.

His claims were dismissed by Ola Lorentzon, chief executive of ICB, who accused Frontline of trying to seize control on the eve of a cyclical upturn in the tanker market.

Urging shareholders to reject the offer, Mr Lorentzon said ICB – which is advised by SBC Warburg – was outperforming Frontline and already enjoyed the lowest cost base in the market. "The offer does not recognise the full value of ICB and, in particular, ICB's operating cashflow performance," he added.

Mr Lorentzon said Frontline had gone hostile after seeing rates for some ICB vessels reach $50,000 a day – double the break-even level.

Frontline – itself acquired last year by Norwegian shipping entrepreneur John Fredriksen for $455m – has proposed a three-for-one share offer for ICB, with a cash alternative of SKr115 a share.

The Bermuda-based company, advised by Alfred Berg and Carnegie, said the share offer represented a 19 per cent premium to ICB's closing price of SKr95.60 before its suspension at the end of last week. The cash alternative represented a 21 per cent premium.

ICB's most traded B shares closed up SKr10 at SKr110 yesterday. Frontline was unchanged at NKr36.20.

Although Frontline said its approach had been welcomed by investors holding 35 per cent of ICB, Mr Lorentzon said shareholders representing more than 50 per cent of the company had assured him of their support.

Taiwan computer-maker's profits dragged down by poor performance at microchip division

Acer tumbles 33% at halfway stage

By Laura Tyson in Taipei

First-half profits at Acer, Taiwan's biggest computer-maker, fell 33 per cent after a poor performance at its microchip arm, but the outlook for the second half is more positive.

In the first six months of this year, net profits fell from T$1.71bn during the same period in 1996 to T$1.15bn (US$40m).

Turnover was T$30.25bn compared with T$30.77bn last time.

Industry analysts said the result was expected and had already been reflected in the share price.

Acer said the first-half result was better than the initial forecast and set a 1997 net profits target of T$4bn on sales of T$77.7bn, on the expectation of an improvement in the second half.

Acer's core personal computer and components business performed well in the first half, with operating income rising 58 per cent over 1996.

However, the non-operating side suffered a loss of T$1.2bn owing mainly to losses at TI-Acer, which makes D-Ram (dynamic random access memory) chips in a joint venture with Texas Instruments of the US.

The chip industry hit the bottom of an industry cycle during the first half of this year after steep falls in product prices in late 1996.

Heavy losses at Acer America, the company's north American operations, also contributed to the slide. Simon Lin, Acer president, recently took on the additional role of deputy chairman of Acer America as part of an effort to turn round the US business.

Revennes should rise significantly in the second half because of an npturn in the semiconductor industry and seasonal growth in computer sales.

Profits should improve as TI-Acer is expected to break even in the second half and profitability levels will remain at the current level.

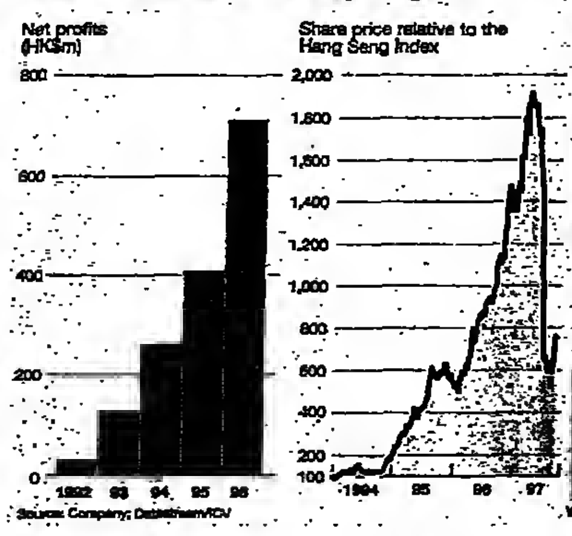
TI-Acer is expected to list on the stock exchange later this year or early next year, as part of the group's long-term strategy.

However, it is unclear how much Acer will gain from the disposal, as details of the initial public offering have yet to be announced.

Laying a foundation in HK property

Speed and preparation have been behind the emergence of the developer Pearl Oriental

Pearl Oriental: in the spotlight



Source: Company; Datastream/ICV

Wong Kwan, chairman

Wong Kwan made his first property deal at 10.00am on an August morning in 1988. His company, Pearl Oriental, paid HK$55m (US$7.1m) for a small hotel in Hong Kong's Happy Valley. Four hours later he made his second, selling the hotel for HK$65m.

"You have to be fast and yon have to be prepared," says the founder and chairman of Pearl Oriental. Before making his move, he had completed plans to upgrade and market the hotel and had already lined up potential buyers.

Speed and preparation were also behind more recent conps. In late 1996, Pearl Oriental paid almost HK$1bn for two bouses on Hong Kong's exclusive Victoria Peak. Within months, the company had pre-sold a five-house development at one of the properties, bringing a quick profit of HK$468m. Plans for the second property, called Genesis, are now being presented for government approval.

The deals thrust Mr Kwan and Pearl Oriental into the spotlight. The price of more than HK$19,000 per square foot for Genesis set a world record for real estate and confirmed Mr Wong, an illegal immigrant from southern China, as a force in the property sector.

But if the deals signalled his arrival, Mr Wong says he is far from finished: "We want to be one of the 20 biggest companies in Hong Kong within the next 10 years."

That is a tall order, particularly in a sector dominated by giants such as Li Ka-shing's Cheung Kong and Lee Shau-kee's Henderson Land. The challenge is further complicated by uncertainty over the Hong Kong property sector, amid regional currency and interest rate upheavals, while aome investors wonder wbether Pearl Oriental is over-extended. Shares have increased 10-fold since its listing in 1993, but plunged more than 50 per cent in June, when it emerged the Hong Kong market watchdog was investigating trading in the stock.

Shares have since rebounded and Mr Wong points to a gearing ratio of less than 30 per cent to illustrate the company's financial health. While the company's ascent has been rapid – turnover has risen from HK$144m in 1991 to HK$1.55bn last year and net profits have climbed from HK$14.9m to HK$714m over the sama period – Mr Wong rejects the charge that he is acting in haste.

That is supported by his considered strategy. When he arrived in Hong Kong in 1966, having been fired from his job as a railway guard, cleaning compartments carrying pigs and cattle, he decided to train as a chef, rather than as a manual worker.

"If I was a construction worker, I would be exhausted by the age of 50," he says. Culinary skills also brought contacts, including the patronage of Sir Kenneth Fung, the respected Hong Kong businessman who made him chef at the exclusive Nautilus Club. While ont of the kitchen, he learned Englisb, eschewing Mahjong and the horse-races. "Everyone else went, but I don't gamble," be says.

Nor does be gamble in business, claims the Pearl Oriental chief. His first deal followed a careful study of the hotel sector, including the lack of cheap supply for veterans from Taiwan seeking to visit the mainland. Genesis and Skyhigh, he argues, might appear extravagant ventures, but the numbers add up. "There are only about 180 houses on the Peak, and there is very strong demand."

One of the qnestions be now faces is whether the territory's property rally will be austained. Tung Cbee-hwa, Hong Kong's post colonial leader, bas injected uncertainty into calcnlations, announcing a grandiose target of 85,000 new homes per year. That has prompted worries about prices and prospects.

Mr Wong is confident that Hong Kong's developers will continne to prosper. "You have to remember that 15,000 to 20,000 homes are knocked down every year, so that reduces the net increase to abont 65,000," he says. "There is huge immigration from China, new couples wanting their first homes, and businessmen coming from overseas."

This week's government land auction suggested many share his confidence, in the luxury sector at least. A site at Repulse Bay fetched HK$5.55bn, towards the top of market expectations.

A second uncertainty concerns Hong Kong's post-colonial prospects. While disillusionment with the cultural revolution was the reason he left school early, and ultimately a cause of his departure from China, he sees little cause for concern today. "The handover has been very smooth, and China needs Hong Kong," he says.

Although mainland-backed companies are muscling in on Hong Kong's business sector, Mr Wong is confident they will play by the rules. In any event, be has been positioning himself to take advantage of the changing corporate landscape.

Last month he forged an alliance with China Insurance, the mainland financial giant, which bought a stake in his company. He has also built ties with Xinhua, China's state news agency and Beijing's traditional political base in the territory.

Mr Wong says he will not reduce his 64 per cent stake in the company to a minority, and that alliances will be pursued only if they benefit Pearl Oriental. "We will not dye ourselves red for the sake of it," he says.

Hong Kong's latest real estate tycoon is ambitions, but he intends to keep his feet on the ground that has underpinned his rise.

John Ridding

First Pacific advances 21%

By John Ridding in Hong Kong

First Pacific, the Hong Kong-based conglomerate controlled by the Salim group of Indonesia, yesterday announced net profits of $110.2m for the first half of the year, a rise of 21 per cent over the same period in 1996.

Before net exceptional items, profits rose by 15 per cent to $104.8m. Exceptionals included proceeds from reduction of the group's stake in Smart Communications, one of its telecommunications operations, and from the sale of Philippine Cocoa. These were offset by charges for reorganisation at Hagemeyer, its Dutch trading and distribution subsidiary, and at its Philippines packaging arm.

Manuel Pangilinan, managing director, forecast record profits for the full year, in spite of slowing economic growth in Asia and volatile regional currency markets. He said the increase in the first half was achieved in spite of difficult conditions in several businesses, including telecommunications. "This performance demonstrates the value of our diversification strategy," he said.

According to Mr Pangilinan, weakness in some south-east Asian markets had been offset by the strong performance of Hagemeyer, the group's Dutcb-based trading and distribution arm. Profits from Hagemeyer rose 35 per cent to $32.8m. There were also strong performances at some of the Hong Kong operations, including First Pacific Davies, the property concern, and First Pacific Bank.

A rise in profits at First Pacific Davies underpinned an increase in profits in the group's property divizion from $9.6m in the first half of last year to $36.4m. Group banking profits also saw strong growth, rising from $9.8m to $13.3m.

In telecommunications, however, profits fell 22 per cent to $28m. Part of the problems came from the Hong Kong market, where competition in mobile telecoms led to a eharp fall in profits at Pacific Link Communications.

Fully diluted earnings per sbare rose from 3.84 cents to 4.61 cents, while the dividend was held at 1.16 cents. Mr Pangilinan said this would allow the company to continue its active investment plans. Turnover during the first half rose 18 per cent to $3.77bn, while operating profits rose from $252.4m to $282.9m.

Fifa settles world cup TV row

By Jimmy Burns

Fifa, world soccer's governing body, has brokered a peace deal between Kirch, the German media group, and Sporis/ISL, the Switzerland-based marketing company, following a row that threatened one of the world's biggest TV sports contracts.

The organisation was worried that the dispute between the two companies over the involvement of a third party, Prisma, could undermine tbe SFr2.8bn ($1.9bn) contract for the TV rights of the 2002 and 2006 soccer World Cups.

However, Kirch and Sporis/ISL have agreed to share the TV rights on a territorial basis, with the German group taking full responsibility for Europe, and the Swiss group for tbe rest of the world, excluding the US, where ABC still has an option.

Fifa said at its annnal committee meeting being held in Cairo that the deal would help the organisation "achieve the objective of attaining the largest possible television audience" for the 64 matches in the 2002 World Cup.

A eimilar structure is expected to govern the marketing of TV rights for the 2006 World Cup, the host of which has yet to be decided, althongh Germany and England are both campaigning strongly.

As part of the deal, Sporis/ISL is thonght to have agreed to drop its objections to Kirch's appointment of Prisma, a Swiss company set up by former executives of ISL, on tbe understanding that Prisma would not compete for any otber Fifa business.

Fifa confirmed that Taurus, a TV subsidiary of the Kirch gronp, had acquired a controlling stake in Prisma, and that the two companies would work togetber in marketing TV rights in Europe.

The agreement, bowever, has fuelled intense speculation among soccer executives that Fifa has sought to appease ISL by offering the non-TV marketing rights for the 2002 and 2006 World Cups, worth an estimated SFr1bn.

Team, the Lncerne-based marketing arm for the Champions League run by the European soccer governing body UEFA, has written to Joao Havelange, president of Fifa, claiming that the way his organisation is bandling the marketing rigbts unfairly favours ISL.

"The whole procedure with regard to the award of marketing rights . . . leaves tbe impression that the Fifa general secretariat attempts to grant the rights concerned without exploring market opportunities," the Team letter states.

Tabacalera ahead in half

By David White in Madrid

Tabacalera, the Spanisb tobacco group being prepared for privatisation, yesterday posted a 13 per cent rise in first-half profits, belped by strong sales.

The group also stepped up its diversification programme by confirming plans to increase its stake in the duty-free company Aldeasa.

Consolidated net earnings rose from Pta7.13bn in the same period last year to Pta8.04bn ($53m) as sales net of value-added tax climbed 27 per cent to Pta450.49bn.

The group said, however, that the increase of 19 per cent in the volume of cigarettes sold in the first half was "exceptional".

Tbe previous year's levels were lower because retailers had stocked np ahead of new-year price increases.

At the eame time, the company managed to recover profit margins by raising prices for most of its cheaper brands in March. Margins had been eroded in a price war following additional taxes imposed by the government in July last year.

The parent company, which is 52 per cent state-owned, registered an 11 per cent rise in attributable net profits to Pta8.41bn.

This was based on a 40 per cent improvement in operating profit to Pta7.91bn, offsetting a 20 per cent increase in depreciation charges and a 25 per cent rise in spending on advertising and marketing.

After pulling out of diversification ventures in the food sector, Tabacalera recently bought a 20 per cent stake in the Aldeasa duty-free chain from the Spanisb airport anthority, Aena, for a minimum price of Pta11.34bn.

It is due to raise this a further 10 per cent through a capital increase when the remainder of Aldeasa's shares, now held by the government, are sold next month to Spanish and foreign institutions.

The price paid for its initial shareholding is to be adjusted on the basis of the institutional price set for the share offer, plus a premium of 22.5 per cent.

The Aldeasa issue is being co-ordinated by SBC Warburg, with Argentaria handling the domestic tranche.

Aldeasa has an exclusive concession at Spanish airports lasting until 2006.

Endesa upbeat on Enersis bid

By David White

Endesa, the state-controlled Spanish electricity giant, indicated yesterday it still hoped to secure a $1.5bn investment in the Chile-based power group Enersis after a setback to its plan for taking effective control.

It is due to decide by September 10 whather to proceed with the purchase – which would be one of Spain's biggest foreign investments – or pull out.

The setback comes just ahead of a planned offering next month of up to 35 per cent of Endesa's capital, in the biggest privatisation issue yet in Spain. The group is two-thirds state-owned.

Endesa said yesterday the Chilean operation was more likely to go ahead than not, since the group had secured majority stakes in four of the five holding companies it was targeting.

However, investors in a fifth holding company, Luz, have held out out against the terms. Luz's stake of just under 3 per cent in Enersis is crucial to Endesa's ambitions of controlling a majority on the group's board.

The group has been aiming to obtain shareholder rights which would give it more than 29 per cent of Enersis, but it has been left with just over 26 per cent.

It would decide by Wednesday next week whether to declare the operation a success or a failure. In the meantime it would study the possibility of a negotiated deal with Luz shareholders or of buying shares from outside the holding companies.

● Iberdrola, Spain's biggest private-sector electricity utility, saw consolidated net profits edge up 1.5 per cent in the first half to Pta49.42bn ($325m), in spite of a government-enforced price cut and sharply higher fuel costs.

A 1 per cent increase in the group's customer base failed to offset a 3 per cent reduction in electricity tariffs, the first of a series of cuts scheduled under plans for deregulating the sector.

Turnover in the six-month period was 2.1 per cent down on last year's first half, at Pta395.93bn. At the same time, the group faced a rise of almost 12 per cent in the cost of fuel supplies as a result of lower hydroelectric production.

Operating profits were down 20 per cent to Pta92.74bn. It managed to balance this through a Pta20bn cut in financial costs, reflecting a reduction of more than Pta46bn in its overall financial debt since this time last year, to Pta826bn.

INTERNATIONAL NEWS DIGEST

QBE climbs 29.1% in year

QBE, the Australian general insurer, reported a 29.1 per cent increase in annual net profits to A$190.1m (US$140m) and forecast growth of 15 per cent in the current financial year. John Cloney, managing director, said the company would be "totally disappointed" if that level was not achieved. QBE would attain the growth through acquisitions and initiatives. "We expect increased profits despite growing competition," he added. Under the directors' preferred basis of accounting, which spreads net realised and unrealised gains and losses on equities and properties over seven years, net profits rose 24.6 per cent to A$153.6m.

Gross earned premium rose 19.6 per cent last year to A$1.79bn, while net earned premium was 28.1 per cent higher at A$1.97bn, because of acquisitions and the development of underwriting syndicates. The insurer incurred an A$18.6m loss on currency exchanges, compared with an A$800,000 gain the year before, but said growth from the Asia-Pacific region would be "handsome by any standards".

QBE also announced that Mr Cloney was to retire in January and would be replaced by Frank O'Halloran, director of operations. *Elizabeth Robinson, Sydney*

■ TELECOMMUNICATIONS

CANTV to restructure rates

Compañía Anónima Nacional Teléfonos de Venezuela (CANTV), the telecommunications company, has been authorised by the Venezuelan regulatory commission, Conatel, to restructure its rates as of October 1. CANTV will increase its monthly residential service charge by as much as 28 per cent to between 2,298 bolivars and 5,354 bolivars ($4.64 to $10.81). Local residential rates will increase by an average of 13 per cent. In exchange, domestic long-distance rates will be reduced, while international rates will remain unchanged.

The long-distance and international services have traditionally subsidised local telephony, causing some customers to seek less-expensive, foreign providers using call-back systems. A day-time telepbone call from Caracas to New York costs $1.48, compared with as little as 31 cents in the reverse direction. CANTV, which has a monopoly on international telephony through 2000, has tried to block call-back services, through which it loses several million dollars per month. Conatel twice delayed CANTV's contractually established rate increases earlier this year as it demanded more detailed cost information.

CANTV is a blue chip company on the Caracas stock exchange and is also listed in New York, with an ADR. *Raymond Colitt, Caracas*

■ INDIA

RPG cuts joint venture stake

As part of its strategy of withdrawing gradually from its non-core activities, RPG Enterprises, India's fourth-largest business group, cut its holding in Sulzer India, a joint venture with Sulzer Corporation of Switzerland, from 40 per cent to 29 per cent. The holding was sold to the Swiss partner, whose stake in the joint venture rises to 51 per cent.

The Swiss company paid Rs410m ($11.45m), or Rs1,100 a share, to take effective control of the joint venture – more than four times the average market price of the share in the last six months, according to analysts. The Indian venture has performed consistently well since its launch in 1989, with India figuring prominently in Sulzer's plans for Asia. RPG said that although the "joint venture becomes a subsidiary of Sulzer, we will stay closely associated with it".

The Swiss company will use the Indian subsidiary as a "global servicing centre" for a number of its products. Sulzer India, which manufactures petroleum refining and distillation equipment as well as high-pressure compressors, is holding discussions with various product divisions of the Swiss parent company about making more equipment in India. *Kunal Bose, Calcutta*

■ VENEZUELA

Crude oil project launched

Conoco, the Dupont energy subsidiary, and Maraven, a subsidiary of the Venezuelan state oil company PDVSA, launched their $2.2bn extra-heavy crude oil project in south-east Venezuela, the joint-venture company Petrozuata said yesterday.

Petrozuata began drilling its first well on a 55,000-acre site in Venezuela's Orinoco oil belt, which has the world's largest hydrocarbon reserves. The project will produce 120,000 barrels of extra-beavy crude oil, transport it by pipeline to the north coast of Venezuela and upgrade it into synthetic crude. Conoco said Petrozuata will drill over 500 horizontal wells to recover 1.5bn-2bn barrels of extra-heavy oil over 35 years.

Petrozuata is one of six joint ventures between PDVSA and multinational oil companies, which will draw a total investment of up to $17bn. *Raymond Colitt, Caracas*

■ CELLULAR TELEPHONY

Lima to auction provincial band

The Peruvian government said it would auction a concession for a second cellular telepbone frequency band in the provinces on November 28. The auction's minimum bid price will be fixed no later than 60 days after privatisation officials receive a valuation from consultants Coopers & Lybrand, the government added in its official newspaper, El Peruano. Market sources in Peru estimate the 20-year concession will fetch about $100m.

Tele2000 – owned by BellSouth Corp of the US – is the only company to have publicly stated its intention to bid, but the government has said several more groups are interested. With the award of the concession, the country's leading telecom company, Telefsnica del Perz, will lose its monopoly on cellular telephone services in the provinces. The company – controlled by Spain's Telefsnica de Espaqa – currently has the only concession for the provinces, known as frequency band A. It is prohibited from bidding on the second frequency band, known as the B band. *Reuters, Lima*

■ "BURGERNOMICS"

Venezuelan bolivar overvalued

The Venezuelan bolivar is 40 per cent overvalued against the dollar – according to "burgernomics". While a McDonald's Big Mac – sold with the same ingredients in over 80 countries and viewed by "burgernomists" as a standard unit of worldwide consumption – costs $2.45 in the US, in Venezuela the same fare costs 40 per cent more: 1,700 bolivars, or $3.43 at current market rates.

The burgernomists' finding adds to recent criticisms of Venezuela's strong bolivar policy. *Reuters, Caracas*

■ BULGARIA

Bank licences suspended

The Bulgarian National Bank said yesterday it revoked the banking licences of Elitbank AD, Businessbank AD and International Bank for Investment and Development due to their established insolvency, in a bid to speed suits for their insolvency as part of stabilisation of the crumbling banking system. *Reuters, Sofia*

Change at the top signals the start of a shake-up in the French media as Havas exerts control

CEP chairman bows out in reshuffle

By Andrew Jack in Paris

The chairman of CEP, the French publishing company, resigned yesterday, signalling the start of an important shake-up in the country's media sector.

The resignation of Christian Brégou, the long-standing chairman, confirms speculation of a conflict within the group. He is replaced by Pierre Dauzier, chairman of Havas, the media group which took full control of CEP earlier this year. The reshuffle is believed to follow disagreement over the future strategy of the group, which Havas and its largest shareholder – the utilities group Générale des Eaux – wants to increasingly focus on the developing world of electronic products.

Havas is preparing plans to dissolve CEP's separate corporate structure and absorb the business entirely, renaming the activities Havas Publications Edition (HPE). It plans to boost its range of multimedia products and to expand internationally through partnerships in which Havas would retain control.

Havas's top management has asked an investment bank to assess offers for the sale of one of CEP's flagship publications, the weekly news magazine L'Express, in the coming weeks. The rival Le Point, also owned by CEP, is also likely to be sold.

The sales will involve discussion with senior French politicians, given the sensitivity of a change in the ownership of such an influential publication.

The afternoon newspaper Le Monde is known to be among the candidates to acquire L'Express.

However, Havas stressed yesterday that it had no intention of breaking up and selling other parts of the CEP group, which includes a number of specialist professional magazines and publishing houses.

The changes follow a number of modifications since Générales des Eaux acquired a 30 per cent stake in Havas, in a complicated deal which handed full control of CEP to Havas, which also boosted Havas's stake in Canal Plus, the pay television group.

Havas Voyages, the tour operator, is likely to be partly floated by early next year.

Promodès in bid for critical mass

Offer for Casino and Rallye adds new impetus to restructuring in French retailing

"If this deal goes ahead, the restructuring of the French retail sector will have come to an end," joked one analyst yesterday as the news broke of the substantial FFr28bn ($4.62bn) takeover bid by Promodès for its rivals Casino and Rallye.

Promodès-Casino

The new group's worth

	Promodès	Casino	Combined
Net sales - World (FFr m)	103,535	66,842	170,377
Net sales - France (FFr m)	66,496	60,106	126,602
Share of French (%) Food market	8.0	5.3	13.3

The new group compared

	Market share %	Share of food market %
Promodès-Casino	18.5	13.3
Carrefour-CM	15.9	9.8
Leclerc	15.3	6.1
Intermarché	15.1	13.1
Auchan-DDF	12.5	7.7

Source: SET

Paul-Louis Halley: bid driven by globalisation of retailing

After recent intensive activity in the sector – most notably the takeover of Docks de France by Auchan last year, and the rising participation by Carrefour in Cora – attention had increasingly turned towards a possible link-up between Promodès and Casino.

The supplementary bid it has made for Rallye was less expected, but Promodès argues that this is simply a way to acquire the company's 36 per cent stake in Casino.

"This operation will probably come as no surprise to most of you," said Paul-Louis Halley, chairman, addressing journalists and analysts summoned at short notice to hear the news during the afternoon. It certainly came after a considerable rally in the share prices of the companies concerned in recent weeks.

But in a country in which deals have traditionally been done behind closed doors, it is symptomatic of the desperation of the French retail sector that all the recent shake-ups have been fought out in public and with little sense of the usual decorum.

Cora remains aloof about its large shareholder, Carrefour, while Auchan's bid for Docks de France rapidly turned hostile. It appeared yesterday evening that the attitudes of Casino and Rallye would be similarly negative, given that both issued curt statements pointing out that the Promodès bid had been made without their agreement.

Part of the tension reflects the problems of domestic expansion in a country with a highly mature market dominated by a few large players, and in which tough planning laws in recent years have severely restricted new large-scale retail developments. "There are not many regions in France which are underequipped in hypermarkets," says one analyst.

That has led to a logic of growth by acquisition domestically at whatever price is necessary, and by a growing effort to rapidly acquire or expand organically in foreign markets.

The tension in the sector is also a function of the traditional shareholding structure of many of the French groups. The founding families still hold significant stakes, which are now coming under threat.

The Guichard family has nearly 18 per cent of the voting rights of Casino, for example, while the Halley family has 38 per cent of the shares and over 50 per cent of the votes in Promodès.

For Mr Halley, his bid was driven by the increasing need for a large critical mass. "The most important reason behind our action is the globalisation of retailing," he says. "If you look at the size of the US and Asian markets and the speed at which they are developing, combining our forces will give us the ability to be far more able to compete."

He points out that a combination of the two groups would create the domestic market leader with a market share of more than 18 per cent, and 13 per cent for food sales. And he suggests that a strong French and European base is essential for its more ambitious international expansion plans.

For him, there will be economies in purchasing, research, marketing and a host of other activities where he argues there are strong complementarities and few overlaps between Promodès and Casino. All that to swell the cash flow of the combined businesses by FFr2bn-FFr8bn by 2000.

However, one analyst suggested that Promodès also needed an operation to boost morale among its employees following the failure of its hypermarket operations in Germany, from which it ultimately withdrew last year.

Others are more sceptical of how quickly or easily the synergies of the two retailers can be realised – particularly since Mr Halley is committed to maintaining both companies' corporate headquarters and to cutting no jobs.

Several questioned whether the price – which represents a premium on Casino's shares of 19 per cent to the average quotation over the past three months – being offered was too high.

But, if Promodès' offer turns into another aggressive hostile bid, it can expect to pay even more. Mr Halley was content yesterday to express his satisfaction with the existing offer, adding: "My door is always open. I am ready to hear all the arguments."

Andrew Jack

Private caterer in FFr2.8bn buy-out

By Andrew Jack

One of Europe's largest privately-held catering companies yesterday announced a FFr2.8bn ($461m) leveraged buy-out to create a group with sales of FFr3bn focused around restaurant concessions and fast-food.

The deal involves the purchase for an undisclosed sum – believed to be about two-thirds of the value of the buy-out – of Holding de Restauration Concédée, which is 80 per cent owned by Charterhouse Development Capital of the UK and 20 per cent by Accor, the French hotels group.

The new group will also contain the Elitair contract catering business and Pomme de Pain, the fast-food chain owned by Bercy Management of Paris. It will own or franchise other brand names including Pizza Hut and French operations of Quick, the Belgian hamburger chain.

Bercy, controlled by Robert Zolade and Francis Markus, was itself a management buy-out of Générale de Restauration, the contract catering arm of Accor, in 1991. It claims to be the largest catering group in France and the third-largest in Europe after Compass and Sodexho.

The holding company, which has yet to be given a name, will be 51 per cent owned by Bercy, with the remaining 49 per cent owned by Advent International, a private equity investor.

John Singer of Advent said yesterday that the deal was likely to lead to a stock market quotation – probably in France – within the next five years, when his company decided to sell.

He said "a little less than two-thirds" of the FFr2.8bn deal was in the form of debt and mezzanine financing, with a further quarter from cash, equity and financial instruments. The remainder represented the value of the assets transferred by Bercy to the new group.

He said that the project was of considerable interest in view of the reliable income stream of long-term catering concessions – with a typical duration of 15-20 years – as well as the growth potential from its fast food businesses.

He added that he had propositions for further acquisitions by the new group from Italy, Germany and the US.

Mr Zolade, who will chair the new group, said there was increasing interest in concessions for international contract caterers by customers including motorways, airports and railway stations. He said he aimed to boost the proportion of business outside France to 25-30 per cent within five years.

CME plans Czech TV subsidiary float

By Joe Cook in Bratislava

Central European Media Enterprises (CME), a Nasdaq quoted company which owns commercial television stations in central Europe, is considering floating part of CNTS, its 99 per cent-owned Czech subsidiary, on the Prague stock exchange.

CNTS operates Nova TV, the Czech Republic's most successful television station. Nova had first-half net revenues of $48.49m this year, accounting for more than half of CME's net revenues of $92.23m.

Leonard Fertig, CME president and chief executive officer, said: "We are considering taking part of CNTS public in the Czech Republic. We are still trying to evaluate whether it's feasible."

Speaking in the Slovak capital of Bratislava, where he was attending the first anniversary celebrations of the launch of Markiza, CME's Slovak station, Mr Fertig said CME was also planning to sell a stake in CNTS to a "Czech financial institution".

CME's increase in its original 66 per cent stake in CNTS has stirred controversy in parts of the Czech media. Local criticism has focused on the level of foreign ownership behind Nova TV.

In the first six months of this year, Nova had 59 per cent of the Czech audience and a 74 per cent share of television advertising markets.

The Bermuda-based CME was founded in 1993 by Ronald Lauder, heir to the Estee Lauder cosmetics empire. It owns and operates television stations in the Czech Republic, Romania, Slovakia, Slovenia and Ukraine. In October it will launch a Polish station.

EUROPEAN NEWS DIGEST

Club Med hit by exceptionals

French resort operator Club Méditerranée yesterday reported a loss of FFr413m ($68m) for the six months to April 30 after one-time, restructuring-related charges totalling FFr630m. Club Med said it expected further one-time charges during the second half of the year to October, but they would be below those of the first half. Restructuring was begun by Philippe Bourguignon, chairman, who replaced long-time head Serge Trigano in March after the company ran up a loss of FFr743m in 1996. In a legal filing, Club Med said most of the charges were attributable to the re-evaluation of assets and risk.

The charges include a FFr138m write-off from operating profit due to costs associated with reorganising the group and a FFr166m write-off for the depreciation of certain assets, including FFr87m related to the company's reservations software. Club Med also said it wrote down FFr284m for risk-related provisions and legal charges. The charges were partly offset by a one-time gain of FFr109m from the March sale of Valtur, an Italian resort group.

AP-DJ, Paris

■ SPAIN

El Corte Inglés edges ahead

El Corte Inglés, the privately-owned Spanish store group which ranks as the country's third-largest company by turnover, registered a modest 0.4 per cent increase in net profits in its last financial year to Pta31bn ($204.5m) in the middle of a heavy investment programme.

Isidoro Alvarez, chairman, told the annual meeting the group had met the challenge of absorbing both the department store facilities and the workforce of its former rival, Galerias Preciados, which it took over in late 1995. Consolidated sales in the year to the end of February rose 10.3 per cent to about Pta1,200bn. A 10.9 per cent improvement in operating profits, to Pta49.85bn, was offset by increased financial charges of Pta15.41bn, compared with Pta12.46bn the previous year which was linked to its spending programme. Investments totalled Pta75.37bn, against Pta109.82bn last time. Personnel costs were 13.5 per cent up as the workforce rose by more than 5,000 to 56,500.

David White

■ TELECOMMUNICATIONS

Bell Atlantic quits Infostrada

Bell Atlantic yesterday confirmed it would abandon Infostrada, the fixed-line telecommunications subsidiary of the Italian Olivetti information technology group. The US group owns a 33 per cent stake in Infostrada; Olivetti holds the rest.

Yesterday's Infostrada shareholders' meeting to consider a capital increase for the company was postponed following the US telecoms group's decision to leave the venture. Olivetti and Bell Atlantic will negotiate the price for the US company's stake. Once this has been completed, Olivetti is expected to finalise a partnership deal with France Telecom where the French group would acquire a large stake in Infostrada. Olivetti reached a preliminary agreement with France Telecom earlier this year involving the French telecoms carrier acquiring 49 per cent of Infostrada for L165bn ($58m). However, Bell Atlantic was unhappy over extending the Infostrada venture to the French group, prompting its decision to sell back its stake. The US group remains the second largest shareholder in Omnitel, the mobile telephone venture controlled by Olivetti.

Paul Betts, Milan

■ DRUGS

Gist-Brocades falls 5.7%

Gist-Brocades, the Dutch group that supplies about a third of the penicillin prescribed worldwide, saw interim net earnings fall 5.7 per cent to Fl 65.7m ($32.4m) as new producers in Asia pushed down prices. The group maintained last month's projection that the full-year outcome would show a "slight" decline – understood in the Netherlands to mean a fall of 4-7 per cent – from the Fl 158.5m recorded for 1996.

The first-half result, towards the upper end of analysts' expectations, lifted the shares 30 cents to Fl 58.30, but they remained 26 per cent below the level prevailing before the August profit warning. Its foods and ingredients divisions performed well and sales overall rose 3.9 per cent to Fl 1.02bn.

Gordon Cramb, Amsterdam

■ CONTRACT CLEANING

ISS UK poised to sell supplier

ISS-International Service System, the global contract cleaning group, said yesterday its ISS UK operation had signed a letter of intent regarding the sale of ISS Darenas, the UK supplier of ISS Europe, to German group Henkel-Ecolab.

Agencies, London

■ SWEDEN

Volvo 'interested' in Ikarus

Swedish carmaker Volvo was reported yesterday to be considering bidding for Ikarus, the Hungarian bus manufacturer. Hungarian daily Nepszabadsag quoted Lennard Alverian, Volvo foreign investment director, as saying the Swedish company was "certainly interested" in the privatisation of Ikarus, but that no official statement would be made until Volvo received the tender announcement.

A bid last year by Volvo for parts of the company was turned down on the grounds that it could not be broken up. Hungarian state privatisation agency APV said last week the tender for the sale of a 53.9 per cent stake in Ikarus would open on September 1, with an October 29 deadline.

Reuters, Budapest

Tess bid for São Paulo telecoms is disqualified

By Geoff Dyer in São Paulo

The sale of a concession to operate cellular telephones in the Brazilian state of São Paulo was thrown into further confusion yesterday when the communications ministry disqualified the consortium led by Telia of Sweden, which had originally won last month's auction.

The ministry said that the consortium, which had offered R$1.33bn (US$1.2bn), had failed to comply with the bidding rules and awarded the concession to the second-place consortium, Avantel, which includes AirTouch, the US cellular operator.

The Telia-led consortium, known as Tess, said it would appeal against the decision after the communications ministry ruled that it had not extended the deadline on its financial guarantee for the bid.

Tess was originally excluded from the August auction of the concession after the ministry ruled it had broken other tendering rules.

These included the use of an unofficial translator for documents originally written in Swedish.

However Tess won a temporary injunction allowing it to take part in the bidding.

The Supreme Federal Tribunal, one of the country's highest courts, is expected to give a final decision on Tess's original appeal this week.

The tribunal is also examining an appeal from the Telet consortium, which includes Bell Canada and Citibank, whose bid was left unopened at the auction after the ministry had excluded it from the auction.

As well as AirTouch, the members of Avantel, which bid R$1.23bn for the concession, Unibanco, the Brazilian bank, and Odebrecht and Camargo Corrêa, the Brazilian construction groups.

The concession covers the whole of the state of São Paulo outside the metropolitan area and includes fast growing industrial cities such as Campinas and São José dos Campos.

It has a population of 18m and is considered one of the most potentially lucrative of the 10 regional cellular concessions the government has put up for sale.

COMPANIES AND FINANCE: UK

Northern Rock auction change

By Christopher Brown-Humes

Northern Rock building society is planning to hold only one auction of its shares for institutions in a move to avoid sharp movements in its share price when it lists on the stock exchange next month.

The move is a departure from the practice adopted by Halifax, Alliance & Leicester, and Woolwich, which all held at least three auctions when they converted to banks earlier this year.

Some commentators believe the auctions contributed to sharp swings in the share prices of the converting societies when they first listed – and left prices vulnerable to manipulation by the institutions bidding for shares. There were sometimes considerable differences between auction prices and those that could be obtained in the market.

Auctions have been held by all converting societies to help investors wanting to sell their shares immediately and to channel shares into institutional hands.

Northern Rock will probably hold its auction after the stock exchange closes on September 30, the day before its listing on October 1. The result will be disclosed to the stock exchange before trading begins.

The Newcastle-based society is the smallest of the mutuals to convert this year, with an expected market value of about £1.5bn ($2.44bn). This will make it one of the biggest quoted companies in the north-east but too small for inclusion in the FTSE 100 index.

Its 885,000 members will each receive 500 shares, which are expected to be worth about £1,700. The figure is much higher than the predictions in March – when the payout was expected to be worth between £1,300 and £1,475 – and reflects the strong rise in bank shares this year. Members who are both borrowers and savers will receive two lots of shares.

Contrary to some expectations, the society will not upgrade its share price estimate when it publishes its listing particulars this morning.

Northern Rock members must notify the society by September 26 if they want to sell via auction. ABN Amro Hoare Govett, broker to the issue, will indicate how many shares are going into the auction on the 26th and provide a final figure on September 29. With previous conversions, about 25 per cent of members have opted to sell immediately.

Adviser to the issue is JP Morgan.

Burmah dividend move

By Krishna Guha

Burmah Castrol, the chemicals and lubricants group, is paying the bulk of its total dividend at the half-year stage to avert the risk that foreign income dividends may be abolished early.

It announced an interim Fid of 27p, two-thirds of the expected full-year payout. This was 125 per cent up on last year's interim.

Brian Hardy, group finance director, said Burmah Castrol feared that a "stampede" of companies issuing Fids before their scheduled abolition in April 1999 could force the government to scrap the payments early.

He said this would be "grossly unfair" to companies like Burmah Castrol, which generates most of its earnings overseas and pays excess advance corporation tax. If the company pays its final dividend as a Fid, its full-year tax rate would fall from 36 per cent last year to 33 per cent.

Burmah also promised to "seriously consider" other ways of handing money back to shareholders, including share buy-backs.

Profits before tax and £30.1m exceptional charges were restricted to a 6 per cent rise to £134m ($218m) by a £21m hit from the strength of sterling. Group turnover fell 4.5 per cent to £1.47bn in the six months to June 30.

The shares rose 20½p to £10.50, but this only partly retrieved last week's drop. Jonathan Fry, chief executive, said he "rather resented" the way the shares had been "savaged" in the backlash against Asia-linked stocks.

Although the company faced a rush of bad debts in Thailand, this would "at most affect two-tenths of 1 per cent of group profits". The rest of Asia was "not affected at the trading level".

Burmah's lubricants business won market share in the US. In Europe, retail demand was weak, but industrial demand "surprisingly strong".

Burmah's chemicals business had also made progress. He said the company would "redeem its pledge" to increase operating profit margins to 10 per cent for the full year.

The exceptional charges included a £17m loss on a disposal.

Brandon Carr

Brian Hardy (left), with Jonathan Fry: interim Fid of 27p

ScottishTelecom in link with Dawes

By Alan Cane

ScottishTelecom, the communications group owned by Scottish Power, yesterday announced a joint venture which markedly advances its ambition to offer integrated fixed line and mobile telecoms services north of the Border.

It said it would merge its mobile services division with the Scottish operations of Martin Dawes Telecommunications, Europe's largest independent service provider, to form a company with more than 50,000 customers and an initial annual turnover of about £25m ($41m).

The company will be owned 50:50 by its parents but ScottishTelecom will have management control. Rod Matthews, ScottishTelecom chief executive, will be chairman of the new company which will trade under the ScottishTelecom banner.

ScottishTelecom already has some 29,000 mobile customers, making it the largest Scotland-based services provider. It offers service from both Vodafone and Cellnet, the UK's largest and second largest mobile operators. Martin Dawes, a predominately English company based in Warrington, has 21,000 customers. Vodafone has an 20 per cent interest in Martin Dawes but will have no stake in the joint venture.

Service providers manage the relationship with mobile phone customers, selling them airtime provided by the operators and taking care of the billing arrangements. They play an important part in distributing mobile services, but are dependent on efficient billing systems to enable them to make an adequate margin.

Mr Matthews said the 50:50 nature of the deal would give the joint venture tax advantages, but the principal benefit to ScottishTelecom would be the right to use Martin Dawes' customer care and billing system which was among the most advanced in the world.

It would make it possible for the Scottish group to sell integrated fixed and mobile products to a large number of customers and would allow the company to tailor bills for individual customers. Corporate clients, for example, required more detailed cost breakdowns and analyses.

Equitas accounts likely to show better figures than expected

By Christopher Adams, Insurance Correspondent

Equitas, the reinsurance company which took responsibility last September for more than £10bn ($16.3bn) in old liabilities from Lloyd's of London, is expected to report soon that cashflow during its first year of trading has been better than expected.

For thousands of former Names – individuals who backed the Lloyd's insurance market and whose personal losses were so huge that they faced financial ruin – Equitas's forthcoming set of accounts may offer a more upbeat message than its first figures published in April.

The company has paid out less in claims and collected proportionately more from other reinsurers which owe it money than was forecast when it opened for business 12 months ago.

However, an audit qualification from Coopers & Lybrand which appeared in the maiden figures is likely to remain broadly unchanged, as a result of considerable uncertainty about the scale of liabilities and the poor quality of data used in the reserving exercise.

Coopers & Lybrand had questioned the "quality and completeness" of information used to calculate assets that Equitas needed and it added that closer scrutiny might lead to a substantial reassessment of liabilities.

It is also unclear whether the lower-than-projected claims payout is due to settlements being smaller than predicted.

In addition, a cash surplus of nearly £600m when Equitas took charge of Lloyd's losses last September may yet be eroded by the need to bolster reserves. About 40 per cent of liabilities stem from policies vulnerable to "long tail" pollution and asbestos-related claims in the US. These may take decades to resolve.

Equitas is trying to improve the consistency of information supplied by insurance syndicates at Lloyd's. Last month, it brought online a data warehouse, Equip, which will present data from Lloyd's underwriting agencies in a single format.

The forthcoming Equitas accounts will show the balance sheet as at March 31 this year. The figures published in April, showing the position at the start-up last September, suggested that Equitas had a cash surplus of £588m after receiving an £11.2bn premium to reinsure all of Lloyd's losses for 1992 and prior years. The surplus then was lower than expected as the group took a £122m charge because assets transferred from syndicates were undervalued.

Equitas is still negotiating terms with Lloyd's for reinsuring the liabilities of Lioncover, which took responsibility for the notorious lossmaking PCW syndicates. Lloyd's is thought to have settled much of the long-running litigation with reinsurers which disputed whether they should have to pay money Lioncover was trying to collect.

French to buy Vision Express

By Christopher Price

GrandOptical Photoservice, the biggest spectacle and contact lens supplier in France, is today expected to announce the acquisition of Vision Express, the UK's fourth biggest optical group, in a deal worth more than £200m ($326m).

The takeover will make GPS, Europe's biggest eyewear group, with activities throughout France, Spain and Luxembourg.

It will also make a multi-millionaire of Dean Butler, Vision Express's founder, whose 30 per cent share will be worth more than £67m. This will be the third time Mr Butler, the pioneer of express eye care, has successfully sold out from a business he founded.

Vision Express, chaired by Mr Butler and also owned by venture capitalists, made pre-tax profits of £19.5m on sales of £99.8m in the year ended December 31, 1995, the last time accounts were filed.

The company has grown rapidly in recent years as its one-hour eye-wear manufacturing and fitting service has grown in popularity. It now operates from 200 stores.

Boots, Dolond & Aitchison and Specsavers are the UK's three biggest opticians' groups.

GPS has pioneered a similar service in France, Spain and Luxembourg through its GrandOptical chain. It also runs the La Générale D'Optique shops, which offer low-cost frames and lenses, as well as a specialist sunglasses chain, Solaris. In addition, it has a string of photo development shops. Last year, GPS reported pre-tax profits of FFr181.3m, on sales of FFr2bn.

At Vision Express, Mr Butler bought in US venture capitalists GC Companies, Advent International and Bessmer Venture Partners in 1994. They invested £30m for a 36 per cent stake. The company was considering floating at the time, but ruled out the move after deciding that the stock market would be wary of a company that wanted funding for overseas expansion.

Bunzl set for improved second half

By Charis Gresser

Bunzl, the paper and plastics group, held out the prospect of an improved second half, as it unveiled interim pre-tax profits up 12 per cent to £62.4m ($101.7m).

Excluding a £6.1m profit on disposal, operating profits rose 3 per cent to £57.2m, on sales of £846.2m (£887.5m).

Anthony Habgood, chairman, said there had been a 6 per cent hit to profits and turnover from adverse currency movements.

The figures also reflected the tail end of severe price deflation, caused by the near halving of paper pulp prices in 1996. Both currencies and price deflation should have less impact in the second half.

Two large US acquisitions, AFC and Unisource, totalling some £160m, are expected to be completed this month. The effect will be to boost the percentage of sales coming from plastics, filters and distribution versus sales from the fine paper division.

The company expects the lossmaking Unisource to be in profit by 1998 and to reach the near 7 per cent profit margins enjoyed by its largest division, disposables, over three years. That division, which mostly distributes packaging to US grocery stores, reported a slight fall in margins from 7.2 per cent to 6.7 per cent on turnover of £501.4m (£449.1m). Mr Habgood said the dilution was due to acquisitions of lower margin businesses.

Overall group margins rose from 6.3 per cent to 6.8 per cent, with growth coming through in both filters and plastics.

Asked if any further large acquisitions were contemplated, the company replied that it was "opportunity driven".

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Dividends: Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Avonside	6 mths to June 30	40.15	(40.63)	1.07	(0.31)	1.77‡	(0.71)	0.5	Nov 28	-	-	1
Beverley	Year to Feb 28	2.5	(1.93)	2.99L♠	(1.23L)	1.15L†	(1.15L)	nil	-	nil	nil	nil
Bluebird Toys	6 mths to June 30	18.8	(23.5)	1.89	(3.1)	3‡	(4.5)	2.25	Nov 14	2.25	-	9
Britt Allcroft	6 mths to June 30	11.28	(11.55)	2.35	(1.95)	6.66†	(7.24)	1.2	Nov 21	-	1.8	-
Bunzl	6 mths to June 30	846	(888)	62.4♥	(55.8)	9	(8.1)	2.3	Jan 2	2.2	-	6.3
Burmah Castrol	6 mths to June 30	1,466	(1,529)	103.9♠	(149.1♥)	22.7†	(41.7)	27‡	Jan 9	12	-	43
Core	6 mths to June 30	0.016	(nil)	1.8L	(1.38L)	7.1L†	(53.1L)	-	-	-	-	-
DCS	6 mths to June 30	23.74	(16.15)	2.04	(1.16)	6.48	(4.07)	1	Nov 3	1p	-	0.75♦
Gowrings	6 mths to June 30	38.6	(31.8)	0.359	(0.139)	2.66	(1.06)	1.1	Nov 3	1	-	3
Haynes	Year to May 31	27.4	(27.5)	5.61♠	(5.51♥)	21.8	(21.8)	5.5	Oct 31	5.8	10.5	10.3
Kerry §	6 mths to June 30	625	(589)	31.9	(25.8)	16.4	(14.2)	1.46	Nov 28	1.265	-	3.825
Kynoch	6 mths to June 30	7.1	(7.2)	0.24	(0.25)	0.9	(1)	-	-	-	-	-
Lavendon	6 mths to June 30	9.16	(5.39)	1.54	(0.87)	5.64†	(5.32)	1.3	Nov 3	-	-	1.13
Lilleshall	6 mths to June 28	49.2	(49.6)	2.36♥	(1.56)	4.88	(2.53)	1.85	Nov 28	1.85	-	4.85
Mice	6 mths to June 30	6.58	(8.36)	0.354	(0.275)	0.14	(0.11)	0.06	Oct 6	0.04	-	0.15
NMT Φ	6½ mths to June 30	-	(-)	1.05L	(-)	4.2L	(-)	-	-	-	-	-
Parkwood	6 mths to June 30	11.8	(9.5)	0.528	(0.356)	1.7	(1.2)	0.6	Oct 1	-	-	-
Perkins Foods	6 mths to June 30	342	(242)	14.1	(11.1)	4.8	(4)	1.8‡	Oct 17※	1.75	-	4.5
Persimmon	6 mths to June 30	256	(203)	23.3	(11.1)	10	(5.2)	3.2	Oct 31	3	-	9.5
Romtec	6 mths to July 31	2.49	(1.99)	0.13	(0.128♠)	1.9	(1.7)	-	-	-	-	1.5
Roxspur	Yr to June 30	26.2	(31.4)	2.24	(0.17)	0.64	(0.02)	0.05	Nov 14	-	0.05	-
Sidney (Charles)	6 mths to June 30	124	(126)	2.65	(2.67)	4.4	(4.4)	1.4	Nov 14	1.4	-	3.2
Singer & Fried	6 mths to June 30	109.3□	(92.5)	28.71	(21.41♥)	6.87	(5.84)	2.13	Nov 3	1.85	-	4.85

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. ♠After exceptional charge. ♥After exceptional credit. †On increased capital. ΦAim stock. ‡On reduced capital. ‡Foreign income dividend. ※May be paid on October 31 subject to share repurchase programme. □Operating income. §Irish currency. ♦Payment for six-month period to December 31 1996 before change of year-end to December 31

INTERNATIONAL CAPITAL MARKETS

ABN Amro in home loan offer

By Gordon Cramb in Amsterdam

ABN Amro is putting Fl 2bn ($986m) of its Dutch home loans into a package of notes to be issued today by a special purpose vehicle, in what the bank intends to become a benchmark for asset-backed securities in continental Europe.

It will be only the second mortgage-backed issue in guilders, and dwarfs the Fl 500m raised last year by a unit of the Belgian-Dutch Fortis. While that offering by FI Mortgage Securities was tied to loans advanced under a state-backed guarantee corporation, the issue by European Mortgage Securities 1 involves a cross-section of ABN Amro's standard fixed rate mortgages.

The main series of notes collects triple A ratings – above those of the parent bank but yielding more – from Standard & Poor's and Moody's, and from Fitch, a specialist in the sector.

Mortgage securitisation, standard practice in the US, has been slow to spread to Europe, although Spain's Banco Santander has, for example, been making forays in the market since 1993. Other asset-backed offerings in guilders have involved credit card receivables.

In the UK, National Westminster Bank last year brought a $5bn issue to market backed by loans outstanding to corporate customers.

According to Luke Mellor, head of international securitisation at ABN Amro Hoare Govett, the bank's stockbroking arm which is leading the deal, a logical next step for the Dutch group would be to roll up part of its corporate loan book in the same way.

"It is not hard to imagine that it could happen before the end of 1998," he said.

Today's mortgage-backed issue by EMS1 will remove from ABN Amro's balance sheet 16,500 associated loans, representing nearly 4 per cent of its residential lending portfolio in the Netherlands. The deal allows it to increase its return on capital while retaining the loyalty of customers, who under normal circumstances will not know their loan has changed hands.

Mr Mellor said the loans were not cherry-picked, and excluded only technically complex products such as savings mortgages. While the quality of the remaining loan book would not be diluted, none of those put into the EMS1 pool would be worth more than 75 per cent of the value of the home it financed – the average ratio is 48.8 per cent. Dutch house prices have risen steadily since 1985, according to Fitch research, and ABN Amro's write-offs last year represented a bare 0.0006 per cent of its portfolio.

The class A issue, which attracts the top rating, comprises Fl 200m in notes with an expected maturity of two years, Fl 250m each of five-year and seven-year maturities, and Fl 1.2bn in 10-year paper – although all mature legally only in 2047.

A "soft bullet" mechanism is being deployed for the notes, through a swap written by the bank on each tranche, in order to ensure that they are redeemed when planned and to solve any difficulties posed by borrowers paying down early. The first tranche will absorb initial redemptions.

The securities, which will be listed on the Amsterdam stock exchange, are being marketed primarily to institutions in the Benelux region. Also offered are Fl 100m in class M notes, rated A or A2, while EMS1 has at the same time placed directly a Fl 30m subordinated loan.

"This is a starting shot for asset-backed issues in continental Europe," said Mr Mellor.

DePfa planning DM2bn jumbo

By Vincent Boland

Deutsche Pfandbrief-und Hypothekenbank (DePfa Bank), the biggest of Germany's mortgage banks, is to raise up to DM2bn in the next few weeks in a jumbo fixed-rate issue.

DePfa's latest venture into the capital markets, likely to have an international focus, comes after it won an AAA rating from Standard & Poor's for its public sector bond programme.

S&P said last week the rating primarily reflected the pfandbrief collateral, which tha rating agency said was sufficient to absorb potential credit losses and repay interest and principal of the pfandbrief programme.

Gabriele Mneller, co-head of treasury at DePfa, said the bank was planning another jumbo issue this month or next "depending on market conditions".

It planned to launch a fixed-rate D-mark bond on a fixed reoffer price basis. Maturity would be set after taking soundings in the market, and DePfe was "considering an internationally-targeted transaction".

Managers of the jumbo issue would be selected from among the market-makers in D-mark jumbo issues, Ms Mneller said. DePfa has a core gronp of market-makers including the main German commercial banks and foreign houses such as Morgan Stanley Dean Witter and Goldman Sachs, but "no mandate in any way has been awarded", she added.

DePfa has assets of DM150bn, and had DM78bn in outstanding public sector pfandbrief issues at the end of last year.

CAPITAL MARKETS NEWS DIGEST

Venezuela to start futures trading

Venezuela will begin futures trading on the Caracas stock exchange (BVC) as early as this week, capital market sources said on Monday. "Technically, we've been ready for some time," said a BVC spokesman, "it now depends on the futures and options business chamber, CACOFV."

Trading is expected to begin with futures contracts of up to one year on the Caracas stock exchange index (IBC), which was recently recomposed to include several important financial institutions, an industrial concern, and CANTV, the blue chip telecommunications company. The IBC, which now includes 15 shares, registered a 38.8 per cent US dollar return on August 22 for the year to-date.

"Futures trading adds depth and sophistication to the market, its a sign of growing maturity," says Mr Ricardo Penfold, an analyst with Santander Investment in Caracas.

The central bank has reportedly denied permission to trade future contracts on the national currency, the bolivar. Yet there is an active market for bolivar futures in New York and an unofficial market between financial institutions in Caracas.

Trading is later to expand to include futures on interest rates, and, in a second phase, options on the IBC and interest rate futures.

Raymond Colitt, Caracas

■ SYNDICATED LOANS

Indian Oil raises $600m

The Indian Oil Corporation, India's largest commercial enterprise, yesterday signed up to a $600m loan in the largest Indian syndicated deal since 1982. The 180-day loan, which can be extended by another 180 days at the option of both the lender and borrower, was arranged by HSBC Investment Bank and BA Asia Ltd. The syndicate consists of 20 banks including five Japanese banks and two German landesbanks. Proceeds from the focility, which comes at a margin of 19 basis points over Libor, will be used for the import of crude oil and petroleum products.

Edward Luce

■ EMERGING MARKETS

ABN Amro to move team to UK

ABN Amro, the Dutch bank, is planning to move its emerging markets team from Amsterdam to London before the end of the year. The move, which is believed to be prompted by the dollar-weighted bias of emerging market deals, coincides with plans to beef up its emerging market syndicate in New York to take advantage of the growing volume of business from Latin America.

Edward Luce

Comments and press releases about capital markets coverage can be sent by e-mail to international.companies@ft.com

Consumer credit data lift gilts

GOVERNMENT BONDS

By Vincent Boland

European bond markets posted moderate gains yesterday in thin trading, with little domestic news available to give investors direction.

With US markets closed for the Labor Day holiday, traders said activity was light, with most attention focused on the end of this week, when the US reports key non-farm payroll data on Friday.

The best of the economic news in Europe was a surprisingly low UK consumer credit figure for July. Net lending expanded by just over £500m, about half the level expected.

UK GILTS were also boosted by M0 broad money figures showing a slowing of expansion to 5 per cent on an annual basis in August, from 5.8 per cent in July.

The figures provided a solid basis for the jump in gilts, with the September futures contract settling 11/32 higher at 114 27/32, while the spread over German bunds narrowed to 148 basis points. But analysts said that with thin volumes yesterday, the rise gave few clues to the likely broader reaction to come later in the week.

GERMAN BUNDS edged higher, with the September futures contract settling up 0.07 basis points at 102.33. Activity was somewhat higher than in the gilt future, with some 73,500 contracts traded.

The Bundesbank is due to set its next securities repurchase (repo) arrangement today, with no change expected, and there is a council meeting on Thursday.

David Brown, chief European economist at Bear Stearns, said the German central bank was unlikely to lift rates while the economy remained weak.

"The markat may fret about the risk of higher German rates but there is not an awful lot that will be done about it until October at the earliest," he noted.

ITALIAN BTPs firmed much more significantly. The September futures contract settled 0.82 higher at 136.40, while the September contract on SPANISH BONOS rose 0.26 to 117.07 ahead of anctions today and tomorrow of up to Pta625bn of new stock stretching from three to 15 years' maturity.

New international bond issues

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book-runner
ITALIAN LIRE							
Crédit Local de France(a)	200bn	5.875	100.585	Aug 2001	1.625	-	Paribas
EUROS							
Crédit Local de France(b)	100	5.375	101.30	Oct 2003	1.875	-	BfL

Final terms, non-callable unless stated. Yield spread (over govt bond) at launch supplied by lead manager. R: fixed re-offer price; fees shown at re-offer level. a) L300bn launched 17/7/97 was increased to L500bn. b) Pays in Ecu prior to Emu.

US Labor day and caution in advance of the release of US non-farm payroll data on Friday effectively shut down the eurobond market yesterday with just one new issue – an Ecu100m offering from Crédit Local de France, writes Edward Luce.

However, syndicate officials expected the market to go into overdrive next week, with a number of issues said to be in the pipeline. Deals rumoured include a two-tranche global bond by General Motors Acceptance Corp denominated in sterling and D-Marks. This would be GMAC's second global bond after the five-year US$1bn deal in January.

Ford Motor Credit is also planning to return to the global sector with a $1bn floating rate note in the near future, led by Goldman Sachs and Lehman Brothers.

Others include Coca-Cola Enterprises, with a $500m offer, the Italian island of Sardinia, with its debut eurobond in either dollars or D-Marks, and the Bank of China, which is considering a D-Mark bond. "It would take a pretty dramatic fall in US unemployment to stop the coming onslaught," said one official.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		10.000	10/07	125.2111	+1.080	6.55	6.84	6.60
Austria		5.625	07/07	99.3700	+0.130	5.71	5.75	5.57
Belgium		6.250	03/07	103.4000	+0.090	5.77	5.80	5.62
Canada *		7.250	06/07	109.1200	-0.010	6.00	6.05	5.99
Denmark		7.000	06/07	105.3400	+0.170	6.27	6.28	6.05
France	BTAN	4.750	03/02	99.9326	+0.040	4.76	4.80	4.55
	OAT	5.500	10/07	99.3900	-0.300	5.59	5.61	5.39
Germany Bund		6.000	07/07	102.3600	+0.100	5.68	5.72	5.54
Ireland		6.000	08/06	110.8000	-0.060	6.38	6.46	6.34
Italy		6.750	02/07	101.8400	+0.620	6.51†	6.58	6.39
Japan	No 148	5.600	06/02	118.9734	-0.140	1.29	1.33	1.66
	No 182	3.000	09/05	107.5116	+0.110	1.98	2.06	2.28
Netherlands		6.750	02/07	100.8200	+0.120	5.63	5.64	5.47
Portugal		8.625	02/07	101.7800	+0.130	6.36	6.29	6.14
Spain		7.350	03/07	107.2900	+0.210	6.29	6.34	6.16
Sweden		8.000	08/07	109.8643	+0.070	6.60	6.58	6.50
UK Gilts		7.000	06/02	100-01	+6/32	6.99	7.05	7.10
		7.250	12/07	101-17	+7/32	7.04	7.11	7.00
		8.000	10/08	114-25	+10/32	7.06	7.14	7.03
US Treasury *		6.125	08/07	0-00	-	0.00	6.38	6.23
		6.375	08/27	0-00	-	0.00	6.68	6.51
ECU (French Govt)		5.500	04/07	96.8400	+0.100	5.94	5.98	5.82

London closing, *New York closed. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: Standard & Poor's MMS.

US INTEREST RATES

Close (Aug 29) — Treasury Bills and Bond Yields

Prime rate	8½	One month	-	Two year	5.98
Broker loan rate	7¼	Two month	-	Three year	6.09
Fed.funds	5½	Three month	5.23	Five year	6.23
Fed.funds at intervention	-	Six month	5.39	10-year	6.34
		One year	5.57	30-year	6.61

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	129.70	129.86	+0.18	129.92	129.68	21,043	156,201
Dec	98.52	98.68	+0.15	98.72	98.52	2,680	18,641
Mar	97.92	96.08	+0.16	97.92	97.92	2	-

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	CALLS Oct	CALLS Nov	CALLS Dec	PUTS Oct	PUTS Nov	PUTS Dec
95	-	-	-	0.01	0.06	0.16
96	-	-	2.97	0.05	0.19	0.31
97	1.79	-	2.18	0.12	0.35	0.51
98	0.98	-	1.49	0.30	0.62	0.82
99	0.40	0.73	0.94	0.72	1.05	1.25

Est. vol. total, Calls 4,562 Puts 4,063. Previous day's open int., Calls 39,100 Puts 53,567.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	102.18	102.33	+0.14	102.39	102.12	74142	221186
Dec	101.26	101.44	+0.14	101.50	101.22	32634	68410

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	CALLS Oct	CALLS Nov	CALLS Dec	CALLS Mar	PUTS Oct	PUTS Nov	PUTS Dec	PUTS Mar
10100	0.77	1.08	1.26	1.30	0.33	0.64	0.82	1.75
10150	0.48	0.79	0.99	1.09	0.54	0.85	1.05	2.04
10200	0.27	0.55	0.74	0.90	0.83	1.11	1.30	2.35

Est. vol. total, Calls 4710 Puts 3212. Previous day's open int., Calls 108452 Puts 128932

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	135.55	136.40	+0.82	136.80	135.53	42944	75210
Dec	107.80	108.48	+0.72	108.85	107.73	16396	38727

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	CALLS Dec	CALLS Mar	PUTS Dec	PUTS Mar
10800	1.78	2.79	1.30	1.77
10850	1.50	2.51	1.52	1.99
10900	1.25	2.26	1.77	2.24

Est. vol. total, Calls 3072 Puts 830. Previous day's open int., Calls 36801 Puts 35901

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	116.85	117.07	+0.26	117.14	116.80	32,930	80,482
Dec	100.85	100.86	+0.25	100.89	100.85	527	4,224

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	114-16	114-27	+0-11	114-27	114-11	17764	83032
Dec	114-06	114-16	+0-10	114-16	114-01	11358	117467

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	CALLS Oct	CALLS Nov	CALLS Dec	CALLS Mar	PUTS Oct	PUTS Nov	PUTS Dec	PUTS Mar
114	0-61	1-23	1-43	2-05	0-28	0-55	1-11	1-59
115	0-29	0-55	1-09	1-39	0-61	1-23	1-41	2-29
116	0-12	0-31	0-47	1-15	1-44	1-63	2-15	3-05

Est. vol. total, Calls 479 Puts 295. Previous day's open int., Calls 22142 Puts 21211

Ecu

■ ECU BOND FUTURES (MATIF) ECU100,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	96.68	96.80	+0.14	96.80	96.66	67	5,889
Dec	-	96.46	+0.14	-	-	-	-

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	113-21	113-04	-0-17	113-28	112-24	493,759	327,620
Dec	113-10	112-24	-0-17	113-15	112-12	106,331	271,202
Mar	113-00	112-13	-0-17	113-01	112-00	1,167	33,411

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Sep	127.71			127.84	127.71	2482	na
Dec	126.98			127.13	126.98	1995	na

* LIFFE futures also traded on APT. All Open interest figs. are for previous day.

FTSE Actuaries Govt. Securities — UK Indices

Price Indices UK Gilts	Mon Sep 1	Day's change %	Fri Aug 29	Accrued interest	xd adj. ytd
1 Up to 5 years (20)	119.45	0.10	119.33	2.07	7.34
2 5-15 years (20)	152.95	0.27	152.53	2.63	7.82
3 Over 15 years (5)	182.77	0.39	182.18	7.15	7.09
4 Irredeemables (6)	241.81	0.65	240.06	4.18	8.38
5 All stocks (50)	147.39	0.23	147.06	3.18	7.86
Index-linked					
6 Up to 5 years (2)	207.23	0.04	207.14	2.56	3.03
7 Over 5 years (10)	200.18	0.07	200.05	1.01	4.70
8 All stocks (12)	199.83	0.06	199.71	1.16	4.51

	Low coupon yield Sep 1	Aug 29	Yr. ago	Medium coupon yield Sep 1	Aug 29	Yr. ago	High coupon yield Sep 1	Aug 29	Yr. ago
5 yrs	7.01	7.05	7.15	7.09	7.13	7.25	7.12	7.18	7.30
15 yrs	7.00	7.04	8.14	7.03	7.07	8.14	7.10	7.16	8.16
20 yrs	7.00	7.04	8.25	7.01	7.05	8.23	7.09	7.16	8.26
Irred.†	7.08	7.12	8.32						

	Inflation 5% Sep 1	Aug 29	Yr. ago	Inflation 10% Sep 1	Aug 29	Yr. ago
Up to 5 yrs	3.63	3.63	2.09	2.94	2.95	0.42
Over 5 yrs	3.55	3.56	3.69	3.35	3.35	3.47

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT Fixed Interest Indices

	Sep 1	Aug 29	Aug 28	Aug 27	Aug 26	Yr ago	High*	Low*
Govt. Secs. (UK)	97.01	96.83	96.85	96.60	96.61	92.73	97.89	93.31
Fixed Interest	125.72	125.86	125.78	125.74	125.54	113.33	126.68	115.32

Gilt Edged Activity Indices

	Aug 29	Aug 28	Aug 27	Aug 26	Aug 22
Gilt Edged bargains	NA	NA	NA	NA	NA
5-day average	NA	NA	NA	NA	NA

 * for 1997. Government Securities high since compilation: 127.40 (09/01/35), low 49.18 (03/01/75). Fixed Interest high since compilation: 133.87 (21/01/94), low 50.53 (03/01/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974. Gilt Edged volume data will be unavailable until further notice.

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:10 pm on September 1

	Issued	Bid	Offer	Chg	Yield
U.S. DOLLAR STRAIGHTS					
Abbey Natl Treasury 6½ 03	1000	99¾	100		6.55
ABN Amro Bank 7¼ 05	1000	102⅛	102¼		7.01
African Dev Bk 7¾ 23	500	101⅞	102¼		7.21
Alberta Province 7⅜ 98	1000	101⅛	101¾		6.12
Argentina 11⅜ 17	2000	116½	116⅞	+⅛	9.72
Asian Dev Bank 6¼ 05	750	99	99¼		6.68
Austria 8½ 00	400	104⅝	104⅞		6.33
Baden-Wuertt L-Fin 8⅛ 00	1000	103⅞	104	+⅛	6.31
Bancomext 7¼ 04	1000	93⅝	93⅝		8.80
Bank Ned Gemeenten 7 99	1000	101½	101⅝		6.17
Bayer Vereinsbk 8⅛ 00	500	103¾	103⅞		6.37
Belgium 5½ 00	1000	95¾	95⅞		6.45
British Columbia 7¾ 02	500	104¾	105		6.55
British Gas 0 21	1500	17	17¼		7.61
British Telecom 8¾ 02	1500	101¼	101⅜		6.42
Canada 6⅜ 05	1500	99⅛	99¼		6.62
Cheung Kong Fin 5½ 99	500	96⅞	99¼	+⅛	6.60
China 6½ 04	1000	97⅞	97⅞	+¼	7.13
Credit Foncier 9½ 99	300	104½	104⅝		6.17
East Japan Railway 6⅝ 04	500	99⅛	99¼		6.79
EIB 6 04	500	96¼	96⅜		6.33
Ex-Im Bank Japan 8 02	500	105¼	105		6.53
Exxon Capital 0 04	1500	63⅞	64⅛		6.42
Fed Home Loan 7⅜ 99	1500	101⅞	102		6.15
Federal Natl Mort 7.40 04	1500	104⅞	105		6.61
Finland 7⅞ 04	1500	107⅛	107½		6.64
Ford Motor Credit 6½ 02	1250	99½	99⅝		6.74
General Mills 0 13	1000	27⅞	28		8.34
ING Finance 5¼ 98	650	98⅞	99		6.17
Inter-Amer Dev 6⅛ 05	1000	97⅛	97½		6.64
Inter-Amer Dev 7½ 05	500	104½	104¾	-⅛	6.71
Intl Finance 5¼ 99	500	98⅞	99⅛		6.12
Italy 6 00	2000	99¼	99½		6.45
Italy 6⅞ 23	3500	95½	95⅞		7.30
Japan Dev Bk 8⅝ 01	500	105⅞	106		6.41
Korea Elec Power 6⅜ 03	1350	95¼	95½	+⅛	7.25
Matsushita Elec 7¼ 02	1000	103⅛	103⅜		6.60
Mexico 0⅞ 07	1500	105⅝	105⅞	-½	9.21
Mntn Russia 9¼ 01	1000	102⅛	102⅝		8.82
Ontario 7⅜ 00	3000	103⅝	103¾		6.67
Ontario 7¾ 02	2000	105	105¼		6.61
Oster Kontrollbank 8½ 01	200	106¼	106½		6.43
Portugal 5¾ 03	1000	96⅞	97		6.46
Quebec Hydro 9¾ 99	150	103½	103¾		6.27
SAS 10 99	200	104¾	105⅛	-⅛	6.49
Spain 6½ 99	1500	100⅝	100¾		6.18
Sweden 6½ 03	2000	100⅝	100⅞	-⅛	6.45
Tennessee Valley 6 03	1000	99⅜	99½		6.31
Tennessee Valley 6⅜ 05	2000	98¾	99		6.69
Tokyo Elec Power 6⅛ 00	1000	99⅛	99⅜		6.30
Toyota Motor Credit 7 07	1000	101⅞	101⅞	+⅛	6.76
United Kingdom 6⅞ 01	2000	101⅞	102		6.19
United Kingdom 7¼ 02	3000	103⅞	104		6.35
Walt Disney 6⅜ 01	1300	99⅞	100		6.52
World Bank 6⅜ 05	1500	99¼	99½	-⅛	6.60
World Bank 6⅝ 99	1500	104⅞	105		5.94
DEUTSCHE MARK STRAIGHTS					
Austria 6½ 24	2000	100¼	100⅝	+⅛	6.48
Baden-Wuert L-Finance 6 99	2000	103⅝	103¼		4.04
Bayerische LB 6 06	1500	102⅛	102¼	+⅛	5.67
Credit Foncier 7¼ 00	2000	108⅛	108½		5.48
Depfa Finance 6⅜ 00	1500	105¼	105⅜		5.34
Deutsche Bk Fin 7½ 03	2000	109¾	110⅛		5.38
Deutsche Finance 5¾ 04	2500	102⅜	102⅝	-⅛	5.30
EEC 6½ 00	2900	105⅛	105¼		4.30
EIB 6¼ 00	1500	104⅛	104¼		4.32
Finland 7½ 00	3000	107¼	107⅛		4.25
Helaba Intl 5¼ 01	1500	103½	103⅝		4.81
KFW Intl Finance 6¼ 03	2250	105⅛	105⅛		5.25
LKB Baden-Wuert 6½ 08	2250	104⅞	105	+⅛	5.89
Ontario 6¼ 04	1500	104½	104½		5.41
Spain 7¼ 03	4000	110	110	+⅛	5.11
Volkswagen Intl Fin 7 00	1000	107¾	107⅞	+⅛	5.39
World Bank 5⅞ 03	3000	103⅞	104		5.12
World Bank 6⅛ 02	3000	105⅛	105¼		4.96
World Bank 7⅛ 05	3000	110⅛	110¼	+⅛	5.46
SWISS FRANC STRAIGHTS					
Asian Dev Bank 0 16	500	44	44⅛		4.55
Austria 4½ 00	1000	105⅝	105¾	+⅛	2.11
Denmark 4¼ 99	1000	104⅜	104½		2.08
EIB 3¾ 99	1000	102¾	102⅞		1.75
EIB 6⅝ 04	500	115¼	115½	-⅛	4.22
Finland 7¼ 99	300	110	110¼		2.32
Helaba Finance 3¼ 00	1000	104⅜	104⅝		2.36
Iceland 7⅞ 00	103	114	114⅜	+⅛	2.58
Inter Amer Dev 4¼ 03	600	108¼	108¾		3.21
Ontario 6¼ 03	400	115	115½		3.18
Quebec Hydro 5 08	100	103¼	104⅛		4.54
SNCF 7 04	450	120¾	121		3.63
Sweden 4¼ 00	500	106¼	106⅝		3.20
World Bank 0 21	700	31⅞	31⅞		4.90
World Bank 7 01	600	114⅝	115	-⅛	2.58
YEN STRAIGHTS					
Belgium 5 99	75000	109½	109¾	+⅛	0.80
EIB 6⅝ 00	100000	114⅝	114⅞		0.78
Ex-Im Bank Japan 4⅜ 00	105000	115¼	115½		1.71
Fed Nat Mort 2 99	100000	102¾	102⅞	+⅛	0.79
Inter Amer Dev 7¼ 00	30000	116⅞	117¼	+⅛	0.90
Italy 3½ 01	300000	108⅜	108½	+⅛	1.24
Italy 5 04	200000	119¾	120	+⅛	2.05
Japan Dev Bk 5 99	100000	108¾	108⅞		0.75
Japan Dev Bk 6½ 01	120000	120¾	120⅞	+⅛	1.22
SNCF 6¾ 03	30000	114½	114¾		0.86
Spain 5¾ 02	125000	119	119¼		1.42
Sweden 3⅞ 99	75000	105⅝	105⅞		0.73
World Bank 5¼ 02	250000	117¼	117⅜	+⅛	1.33
OTHER STRAIGHTS					
EBRD 14¾ 98 R	250	99⅞	100		15.27
World Bank 15 99 R	500	100⅝	101½	+⅛	14.49
Austria 6½ 99 R	1000	103⅞	104⅛	-⅛	4.05
PTT Nederland 6½ 08 R	1300	104¾	104⅞		5.79
Bell Canada 10⅝ 99 C$	150	109⅝	110⅛	-⅛	5.09
British Columbia 7¾ 03 C$	1250	109¾	110		5.82
Canada Mtg & Hsg 8¾ 99 C$	1000	106¼	106⅜		4.85
Elec de France 9¾ 99 C$	275	108⅞	109¼		5.02
KfW Intl Fin 10 01 C$	400	114	114⅜		5.48
Nippon Tel Tel 10¼ 99 C$	200	110¼	110½		5.05
Ontario 8 03 C$	1500	110¾	110⅞		5.78
Ontario Hydro 9 02 C$	2000	114⅛	114½		5.68
Ontario Hydro 10⅞ 99 C$	500	109⅛	109⅜		4.70
Oster Kontrollbank 10¼ 99 C$	150	109⅝	109⅞	-⅛	4.96
Quebec Hydro 7 04 C$	1000	105¼	105⅝		6.13
Quebec Prov 10½ 98 C$	200	106⅞	107¼		4.65
Council Europe 9 01 Ecu	1100	113⅞	114¼		5.23
Credit Foncier 8⅛ 04 Ecu	1000	112½	113⅛		6.00
Denmark 8½ 02 Ecu	1000	113⅛	113⅜	+⅛	5.23
EC 6 00 Ecu	1100	103	103⅜	+⅛	4.95
EIB 10 01 Ecu	1150	115⅜	115¾		4.85
Finland 8½ 07 Ecu	750	117	117⅜		6.07
Italy 9⅝ 11 Ecu	2500	126⅛	126½	+⅛	6.31
Italy 10⅞ 00 Ecu	1000	114	114⅜	+⅛	4.92
United Kingdom 9⅛ 01 Ecu	2750	112⅞	113		4.98
AIDC 10 99 A$	100	107⅝	108		5.44
Comm Bk Australia 13¾ 39 A$	100	115⅝	116	+⅛	5.49
EIB 7¾ 99 A$	350	105½	105¾	+½	4.93
Nat Australia Bank 6¾ 99 A$	250	101⅞	101⅞	+⅛	5.28
NSW Treasury Zero 0 20 A$	1000	21⅞	22⅛	+½	6.87
R & I Bank 7¾ 03 A$	125	106⅞	106¾	+⅝	6.39
State Bk NSW 9 02 A$	300	111⅜	111¾	+½	6.30
Sth Aust Govt Fin 9 02 A$	150	111⅛	111½	+½	6.36
World Bank 8¼ 00 A$	100	106⅝	107		5.71
Abbey Natl Treasury 8 03 £	1000	102⅛	102¼	+⅛	7.50
British Land 8⅞ 23 £	150	107⅛	107⅝	+⅛	8.38
Depfa Finance 7⅛ 03 £	500	98⅛	98¼	+⅛	7.51
EIB 8 00 £	1000	103⅛	103¼	+⅛	7.31
Fed Nat Mort 6⅞ 02 £	1250	98⅛	98⅞	+⅛	7.31
Finland 7 00 £	500	99¼	99½	-⅛	7.28
Glaxo Wellcome 8¾ 05 £	500	107	107¼	+⅛	7.57
HSBC Holdings 11.69 02 £	305	116¼	116½	+⅛	7.60
Italy 10½ 14 £	400	127⅜	127⅝	-⅛	7.53
Japan Dev Bk 7 00 £	200	99¼	99½		7.27
Land Secs 9½ 07 £	200	111½	112	+⅛	7.79
Ontario 11⅛ 01 £	100	110⅜	110⅝	+⅛	7.58
Powergen 8⅞ 03 £	250	105⅛	105⅜	+⅛	7.69
Severn Trent 11½ 99 £	150	106⅜	106⅝	+⅛	7.67
Tokyo Elec Power 11 01 £	150	110⅝	111⅛	+⅛	7.56
TCNZ Fin 9¼ 02 NZ$	75	106¼	106½	-⅛	7.72
World Bank 9 99 NZ$	250	102	102⅛	-⅛	7.77
Credit Local 6 01 FFr	8000	104⅛	104⅛	-⅛	4.78
Denmark 5½ 99 FFr	7000	102¼	102⅜		4.13
Elec de France 8¾ 22 FFr	3000	129¾	129¾	+⅛	6.40

FLOATING RATE NOTES

	Issued	Bid	Offer	C.cpn
Abbey Natl Treasury -1/16 99	1000	99.94	100.02	5.7500
Argentaria Global Fin 0 01	700	99.75	99.84	5.7188
Cades -⅛ 01	2000	99.66	99.72	5.6250
Canada -⅛ 99	2000	99.82	99.88	5.5000
CCCE 0 06 Ecu	200	99.79	100.10	4.2500
Commerzbk O/S Fin -⅛ 99	750	99.84	99.91	5.6016
CSF 0.15 00 DM	1250	100.09	100.20	3.2750
Credit Lyonnais ⅛ 00	300	98.80	98.98	5.9375
Fed Nat Mort -3/16 00	1000	99.83	99.91	5.6250
Finland -⅛ 99	1500	99.98	100.02	5.5938
Halifax BS 0 99	500	100.06	100.12	5.8125
IMI Bank Intl ⅛ 99	500	100.33	100.43	5.9766
Italy 0 05 Ecu	1000	99.76	99.92	4.2109
Italy ⅛ 99	1500	100.34	100.40	5.7813
LKB Baden-Wuert Fin -⅛ 98	1000	99.97	100.03	5.2750
Lloyds Bank Perp S 0.10	600	90.01	91.31	5.9440
Malaysia ⅛ 05	650	99.72	99.85	6.3625
Nova Scotia 3/16 99	500	99.95	100.08	5.9062
Ontario 0 99	2000	100.12	100.22	5.7422
Portugal ⅛ 99 DM	2500	100.21	100.30	3.1875
Quebec Hydro 0 99	500	99.80	99.95	5.7500
Renfe 0 99	500	99.62	100.00	5.8750
Spain -⅛ 02 DM	2000	100.05	100.15	3.0938
State Bk Victoria 3.05 99	125	99.90	100.20	5.9582
Sweden -⅛ 01	2000	100.00	100.05	5.5938
United Kingdom -⅛ 01	2000	99.84	99.98	5.5312

CONVERTIBLE BONDS

	Issued	Conv. Price	Bid	Offer	Prem.
Allied-Lyons 6¾ 08 £	200	6.04	99½	100¼	+28.67
Fuji Intl Finance ¼ 02 Y	25000	2002	130¼	131⅝	+31.21
Grand Metropolitan 6½ 00	710	4.37	134½	135¼	+0.16
Hong Kong Land 4 01	410	31.05	94¼	95¼	-4.29
Inchcape 6¼ 08 £	125	5.85	95⅝	96¼	
Land Secs 9½ 04 £	175	7.45	124½	125¼	+3.16
Lasmo 7¾ 05 £	90	5.54	95½	96½	
MBL Intl Fin 3 02	2000	22	127¼	128⅛	+1.41
Mitsui Bank 2⅝ 03	200	2332.6	90¼	92⅛	
NFC 7¼ 07 £	83	2.87	95½	96¼	
P&O 7¼ 03 £	150	6.77	118⅝	119⅝	+13.34
Sainsbury 8½ 05 £	200				
Sappi BVI Finance 7½ 02	250	15	95⅞	96⅞	
Sapporo 1⅞ 00 Y	40000	1359.4	100½	101½	+24.23
Sun Alliance 7¼ 08 £	155	3.9	120⅞	120⅞	+46.34
Transatlantic Hldgs 5½ 09 £	250	5.35	100	100⅞	+2.84
Yamanouchi Ph 1⅝ 00 Y	30000	2555.7	117	118	+3.83

* No information available - previous day's price
‡ Only one market maker supplied a price

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day.
FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate (three-month: §above mean rate for US dollars. C.cpn=The current coupon.
CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Conv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

UK GILTS PRICES

Notes	Yield Int	Yield Red	Price £	+ or -	52 week High	52 week Low
Shorts" (Lives up to Five Years)						
Treas 8¾pc 1997‡‡	8.75	-	100xd	—	107[illegible]	100
Exch 15pc 1997	14.83	6.56	101[illegible]	-[illegible]	108¾	101[illegible]
Exch 9¾pc 1998	9.66	6.95	100[illegible]	—	104¾	100[illegible]
Treas 7¼pc 1998‡‡	7.24	7.01	100⅛	+[illegible]	109[illegible]	100[illegible]
Treas 15½pc '98‡‡	14.29	7.11	108[illegible]	—	117[illegible]	108[illegible]
Exch 12pc 1998	11.38	7.10	105[illegible]	—	111[illegible]	105[illegible]
Treas 9½pc 1999‡‡	9.23	7.15	102[illegible]	+[illegible]	105⅝	97[illegible]
Treas Flg Rate 1999‡‡	-	-	100[illegible]	-[illegible]	100[illegible]	99[illegible]
Exch 12¼pc 1999	11.41	7.14	107[illegible]	+[illegible]	113[illegible]	107⅝
Treas 10½pc 1999	9.97	7.09	105[illegible]	+[illegible]	110[illegible]	105[illegible]
Treas 6pc 1999‡‡	6.11	7.00	98[illegible]	+[illegible]	99¼	96[illegible]
Conv 10¼pc 1999	9.64	7.10	106[illegible]	+[illegible]	110½	106¼
Treas 8½pc 2000	8.25	7.11	103	+[illegible]	104[illegible]	102[illegible]
Conv 9pc 2000‡‡	8.63	7.00	104[illegible]xd	+[illegible]	107½	103[illegible]
Treas 13pc 2000	11.31	7.11	114[illegible]	+[illegible]	120⅞	114[illegible]
Treas 14pc 1998-1	13.37	7.08	104¾	+[illegible]	112[illegible]	104[illegible]
Treas 8pc 2000‡‡	7.79	7.04	102[illegible]	+[illegible]	104[illegible]	102
Treas Flg Rate 2001	-	-	100⅛	—	100[illegible]	99[illegible]
Treas 10pc 2001	9.19	7.09	108¾	+[illegible]	112[illegible]	98[illegible]
Conv 9½pc 2001‡‡	8.80	7.11	107[illegible]	+[illegible]	109[illegible]	107[illegible]
Conv 9¾pc 2001	8.85	7.11	108[illegible]	+[illegible]	110[illegible]	108[illegible]
Treas 7pc 2001‡‡	7.01	7.03	99[illegible]	+[illegible]	101⅛	96[illegible]
Exch 12pc 1999-2	11.30	7.16	106[illegible]	-[illegible]	109[illegible]	106[illegible]
Conv 10pc 2002	8.99	7.10	111[illegible]	+[illegible]	112⅞	109[illegible]
Treas 7pc 2002‡‡	7.00	7.09	100[illegible]	+[illegible]	101[illegible]	97[illegible]
Five to Fifteen Years						
Conv 9½pc 2002	8.67	7.11	109[illegible]	+¼	110[illegible]	108⅛
Treas 9¾pc 2002	8.79	7.10	110[illegible]	+[illegible]	122¼	109½
Exch 9pc 2002	8.33	7.12	108[illegible]	+[illegible]	109¼	106[illegible]
Conv 9¾pc 2003‡‡	8.69	7.11	112⅛	+[illegible]	113⅞	110[illegible]
Treas 8pc 2003‡‡	7.68	7.04	104[illegible]	+[illegible]	105[illegible]	102[illegible]
Treas 13¾pc 2000-3	11.75	7.14	117	+[illegible]	119[illegible]	116[illegible]
Treas 10pc 2003	8.77	7.10	114[illegible]xd	+[illegible]	116[illegible]	111⅞
Treas 11½pc 2001-4	10.14	7.11	113[illegible]	+[illegible]	121⅛	113¼
Treas 10pc 2004	8.66	7.11	115[illegible]	+⅛	116[illegible]	113
Funding 3½pc 1999-4	4.04	5.89	86[illegible]	+[illegible]	87[illegible]	81[illegible]
Conv 9½pc 2004	8.38	7.08	113[illegible]	+[illegible]	114[illegible]	109[illegible]
Treas 6¾pc 2004‡‡	6.86	7.02	98[illegible]	+[illegible]	99[illegible]	94[illegible]
Conv 9½pc 2005	8.34	7.09	113[illegible]	+¼	122[illegible]	110[illegible]
Exch 10½pc 2005	8.71	7.10	120[illegible]	+[illegible]	121[illegible]	117[illegible]
Treas 12½pc 2003-5	9.87	7.12	126⅝	+[illegible]	129[illegible]	124[illegible]
Treas 8½pc 2005‡‡	7.81	7.08	108[illegible]	+¼	109⅞	104¼
Conv 9¾pc 2006	8.31	7.10	117⅜	-[illegible]	118[illegible]	113[illegible]
Treas 7½pc 2006‡‡	7.28	7.08	103[illegible]	+[illegible]	103[illegible]	97[illegible]
Treas 7¾pc 2006‡‡	7.43	7.10	104[illegible]xd	+[illegible]	107¼	97½
Treas 8pc 2002-6‡‡	7.74	7.20	103⅜	+[illegible]	104[illegible]	100[illegible]
Treas 11¾pc 2003-7	9.76	7.11	120⅜	+[illegible]	123[illegible]	115⅛
Treas 8½pc 2007‡‡	7.74	7.09	109[illegible]	+[illegible]	111[illegible]	103[illegible]
Treas 7¼pc 2007‡‡	7.14	7.05	101[illegible]	+[illegible]	102[illegible]	96⅛
Treas 13½pc 2004-8	10.16	7.14	132[illegible]	+[illegible]	134[illegible]	131¾
Treas 9pc 2008‡‡	7.84	7.08	114[illegible]	+[illegible]	116	103[illegible]
Treas 8pc 2009	7.44	7.05	107[illegible]	+[illegible]	108¾	99[illegible]
Treas 6¼pc 2010‡‡	6.71	7.06	93[illegible]	+[illegible]	95⅛	83⅞
Conv 9pc Ln 2011‡‡	7.70	7.07	116[illegible]	+[illegible]	118⅞	107[illegible]
Treas 9pc 2012‡‡	7.65	7.07	117⅝xd	+[illegible]	119[illegible]	105½
Over Fifteen Years						
Treas 5½pc 2008-12‡‡	6.57	6.86	87[illegible]xd	+[illegible]	89[illegible]	77[illegible]
Treas 8pc 2013‡‡	7.34	7.05	108[illegible]	+[illegible]	110½	97[illegible]
Treas 7¾pc 2012-15‡‡	7.31	7.07	105[illegible]	+[illegible]	107[illegible]	95⅛
Treas 8pc 2015‡‡	7.25	6.99	110[illegible]	+[illegible]	111[illegible]	97[illegible]
Treas 8¾pc 2017‡‡	7.39	7.02	118[illegible]	+[illegible]	120[illegible]	108[illegible]
Exch 12pc 2013-17	8.15	7.08	147[illegible]	—	148½	138[illegible]
Treas 8pc 2021‡‡	7.14	6.95	112[illegible]	+[illegible]	113⅞	97[illegible]
Undated						
Consols 4pc	7.24	-	55¼	+⅛	55⅞	47½
War Loan 3½pc‡‡	7.03	-	49[illegible]	+[illegible]	50¾	42[illegible]
Conv 3½pc '61 Aft	5.24	-	66[illegible]	+[illegible]	67[illegible]	58[illegible]
Treas 3pc '66 Aft	7.42	-	40[illegible]	+[illegible]	41[illegible]	35[illegible]
Consols 2½pc	7.06	-	35[illegible]	+[illegible]	36[illegible]	30[illegible]
Treas 2½pc	7.19	-	34[illegible]	+[illegible]	35[illegible]	30[illegible]

Index-Linked (b)	Notes	Yield (1)	Yield (2)	Price £	+ or -	52 week High	52 week Low
4⅜pc '98‡‡	(135.6)	-	1.90	114[illegible]	+[illegible]	114[illegible]	113[illegible]
2pc '96	[illegible]	1.99	3.19	183[illegible]	-[illegible]	183[illegible]	179[illegible]
2½pc '01	(78.3)	2.94	3.32	187½	+[illegible]	187[illegible]	182[illegible]
2½pc '03	(78.8)	3.11	3.40	183[illegible]	+[illegible]	184[illegible]	177½
4⅛pc '04‡‡	(135.6)	3.17	3.59	118[illegible]	+[illegible]	120[illegible]	116
2pc '06	(69.5)	3.26	3.58	194[illegible]	+[illegible]	195[illegible]	185¼
2½pc '09	(78.8)	3.27	3.53	179½	+[illegible]	179[illegible]	168[illegible]
2½pc '11	(74.6)	3.31	3.53	182[illegible]	+[illegible]	183[illegible]	171[illegible]
2½pc '13	(89.2)	3.33	3.53	150[illegible]	+[illegible]	151	140[illegible]
2½pc '16	(81.6)	3.35	3.53	161	+[illegible]	161[illegible]	149[illegible]
2½pc '20	(83.0)	3.40	3.55	154[illegible]	+[illegible]	155[illegible]	142[illegible]
2½pc '24‡‡	(97.7)	3.41	3.55	128[illegible]	+[illegible]	129[illegible]	118[illegible]
4⅛pc '30‡‡	(135.1)	3.41	3.55	125[illegible]	+[illegible]	126[illegible]	117

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base for indexing (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in February 1987. Conversion factor 3.945. RPI for December 1996: 154.4 and for July 1997: 157.5.

Other Fixed Interest

Notes	Yield Int	Yield Red	Price £	+ or -	52 week High	52 week Low
Asian Dev 10¼pc 2009	8.41	7.39	121[illegible]	—	123[illegible]	115[illegible]
B'ham 11½pc 2012	8.61	7.80	133½	—	134½	123
Leeds 13½pc 2006	9.82	-	137⅛	—	141½	131⅛
Liverpool 3½pc Irred	7.78	-	45xd	—	46	37½
LCC 3pc '20 Aft	7.89	-	38xd	—	39	32⅞
Manchester 11½pc 2007	9.09	7.78	126½	—	128½	120½
Met. Wtr. 3pc 'B'	3.66	6.55	82xd	—	83	78½
N'wide Anglia 3⅞pc 2021	-	3.94	145[illegible]	—	150[illegible]	138½
4⅛pc IL 2024	-	4.36	142	—	145[illegible]	134

● 'Tap' stock. ‡‡ Tax-free to non-residents on application. E Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds per £100 nominal of stock. Prospective real index-Linked redemption yields are calculated by HSBC Greenwell from Bank of England closing prices. ☆ Indicative price.

CURRENCIES AND MONEY

Dollar climbs further above Y120

MARKETS REPORT

By Simon Kuper

The dollar rose further against the yen yesterday, as Tokyo signalled only mild concern over the US currency's advance above the Y120 level on Friday.

Hiroshi Mitsuzuka, Japan's finance minister, said Tokyo would keep a close watch on currency moves. "Exchange rates have fluctuated somewhat these days. I expect exchange rates to stablise sooner or later," he said.

Fred Bergsten, director of the Institute for International Economics, the economic policy thinktank, was quoted as saying that the dollar at those levels would raise Japan's trade surplus to record highs. He said US officials secretly wanted a stronger yen. However, Mr Mitsuzuka said: "Bergsten sometimes makes mistakes."

Traders thought Mr Mitsuzuka's comments were mild enough to imply that Japan could live with the dollar around Y120. Eisuke Sakakibara, the vice finance minister for international affairs, known to traders as Mr Yen, further removed fears that Japan would try to weaken the dollar. He said: "I will not comment on this occasion."

The yen was hit by a fresh fall in Japanese shares, with the Nikkei index closing below 18,000 for the first time since April 15. Japanese bonds rose again, and the ten-year bond now yields just 1.985 per cent. The dollar rose Y0.6 to close in London at Y120.9 to the yen.

Pete Luxton, director of global currencies at S&P's MMS, said that fear of Japanese intervention at higher levels meant that "there hasn't been any enthusiasm to push that further". Against the D-Mark, the dollar rose 1.1 pfennigs to DM1.811.

Trading was extremely thin, with US markets closed for Labor Day. Some traders wore black ties or armbands to mourn the death this weekend of Princess Diana.

Currency strategists said that yesterday should prove the last day of the summer's lull in trading. From tomorrow, most trading desks should be near full strength, enhancing liquidity.

■ Fear of intervention may be the one thing restraining the dollar against the yen. Robin Marshall, chief economist at Chase in London, said Tokyo would find it hard to boost the yen by threatening to raise interest rates, the weapon it used to such effect in April.

Mr Marshall says that Mr Sakakibara had been attacked within government for his threats in April, which drove market interest rates sharply higher. The rises had hurt the economy. Now, he said, Mr Sakakibara would keep quiet on rates.

Mr Marshall is a dollar bull against the yen. "Japan's economy is not sufficiently strong to withstand any tightening of rates, and intervention for the yen wouldn't do a lot of good on its own. So I think the market will by and large ignore any Bank of Japan strictures about Y120, provided economic data remains weak."

■ The pound fell 0.9 cents against the buoyant dollar yesterday, on fresh signs that it was still overvalued. Eddie George, governor of the Bank of England, said: "We've got an exchange rate that is clearly stronger than we think could be sustained in the longer term." Furthermore, the UK purchasing managers' index for July fell sharply as the strong pound began to bite into exports.

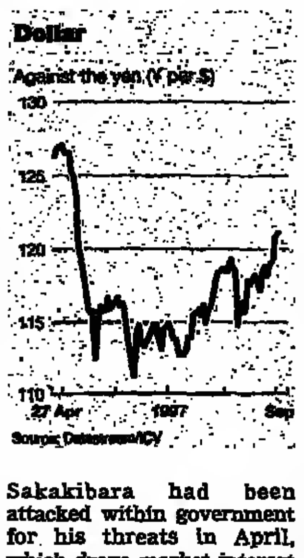
The pound closed at $1.613 against the dollar, but was barely changed against the D-Mark at DM2.921.

■ Yesterday was a quieter day for Asian currencies, but their torment may not be over yet. The Malaysian ringgit was at M$2.9455 to the US dollar in late European trading yesterday, only just above the worst levels it hit on Friday before the Sultan of Brunei bought the currency heavily.

Steve Jennions, emerging markets analyst at Credit Agricole Indosuez in London, said that foreign fund managers had had trouble selling their Malaysian shares last week, delayed by new restrictions imposed by the government. As they sold this week, the ringgit could slide, he said. The Indonesian rupiah was softer after the government imposed restrictions on forward contract sales. The restrictions allowed Indonesia to cut interest rates.

Dollar

Against the yen (¥ per $)



Source: Datastream/ICV

■ **Pound in New York**

Aug 29	— Close —	— Prev. close —
£ spot	1.6206	1.6185
1 mth	1.6185	1.6185
3 mth	1.6148	1.6123
1 yr	1.5978	1.5955

■ **OTHER CURRENCIES**

Sep 1	£	$
Czech Rp	54.4912 - 54.5823	33.7930 - 33.8390
Hungary	317.243 - 317.422	196.740 - 196.790
Iran	4838.00 - 4837.50	3000.00 - 3000.00
Kuwait	0.4913 - 0.4918	0.3047 - 0.3048
Poland	5.6183 - 5.6261	3.4830 - 3.4880
Russia	9418.61 - 9424.76	5841.00 - 5843.00
U.A.E.	5.9224 - 5.9247	3.6728 - 3.6731

POUND SPOT FORWARD AGAINST THE POUND

Sep 1		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	20.5586	+0.0129	508 - 664	20.6108	20.4728	20.5042	3.2	20.3915	3.3	19.886	3.3	102.1
Belgium	(BFr)	60.3136	+0.0475	994 - 278	60.4700	60.1320	60.1336	3.6	59.7636	3.6	58.0136	3.8	101.6
Denmark	(DKr)	11.1248	+0.008	214 - 281	11.1534	11.0829	11.0933	3.4	11.0293	3.4	10.7378	3.5	103.9
Finland	(FM)	8.7850	-0.005	776 - 923	8.8190	8.7540	8.7597	3.5	8.7072	3.6	8.4945	3.3	80.8
France	(FFr)	9.8325	-0.0048	301 - 348	9.8569	9.7981	9.7985	4.0	9.7425	3.7	9.467	3.7	104.4
Germany	(DM)	2.9213	+0.0019	202 - 223	2.9291	2.9100	2.912	3.6	2.8989	3.9	2.806	3.9	102.5
Greece	(Dr)	459.295	+0.147	143 - 447	460.790	457.882	461.078	-4.7	463.702	-3.8	472.07	-2.8	65.1
Ireland	(I£)	1.0847	-0.0059	830 - 863	1.0911	1.0828	1.0842	0.6	1.0826	0.7	1.0719	1.2	100.0
Italy	(L)	2849.73	-5.78	897 - 049	2863.15	2840.67	2849.81	0.0	2849.78	0.0	2847.18	0.1	76.0
Luxembourg	(LFr)	60.3136	+0.0475	994 - 278	60.4700	60.1320	60.1336	3.5	59.7636	3.8	58.0136	3.8	101.6
Netherlands	(Fl)	3.2885	+0.003	865 - 905	3.2985	3.2778	3.2793	3.7	3.2594	3.8	3.1624	3.9	101.0
Norway	(NKr)	12.0924	+0.004	878 - 969	12.1268	12.0350	12.0599	3.2	11.9989	3.1	11.7299	3.0	96.6
Portugal	(Es)	296.004	-0.331	878 - 131	296.944	295.017	295.848	0.6	295.319	0.9	291.29	1.6	92.2
Spain	(Pta)	246.275	-0.287	213 - 337	247.200	245.590	245.96	1.5	245.21	1.7	240.84	2.2	76.8
Sweden	(SKr)	12.6999	-0.0328	918 - 079	12.7695	12.6457	12.6724	2.6	12.6139	2.7	12.3574	2.7	85.5
Switzerland	(SFr)	2.4059	-0.001	047 - 071	2.4164	2.3978	2.395	5.5	2.3724	5.9	2.2721	5.6	105.6
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	102.1
Ecu	-	1.4859	+0.0011	852 - 866	1.4890	1.4817	1.4826	2.7	1.4754	2.8	1.4414	3.0	-
SDR†	-	1.19010	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.6125	-0.009	122 - 127	1.6148	1.6042	-	-	-	-	-	-	-
Brazil	(R$)	1.7604	-0.0108	599 - 608	1.7698	1.7530	-	-	-	-	-	-	-
Canada	(C$)	2.2378	-0.014	370 - 385	2.2439	2.2300	2.2309	3.7	2.2173	3.7	2.1664	3.2	84.8
Mexico	(New Peso)	12.6037	-0.0123	856 - 217	12.6240	12.5550	-	-	-	-	-	-	-
USA	($)	1.6128	-0.009	125 - 130	1.6159	1.6055	1.6107	1.8	1.6065	1.6	1.5897	1.4	108.2
Pacific/Middle East/Africa													
Australia	(A$)	2.2084	-0.0018	053 - 075	2.2090	2.1967	2.2027	2.0	2.1844	2.2	2.1574	2.2	92.9
Hong Kong	(HK$)	12.4981	-0.0693	953 - 000	12.5178	12.4402	12.4971	0.1	12.4907	0.2	12.4356	0.5	-
India	(Rs)	58.7848	-0.1352	144 - 552	58.9580	58.4030	58.98	-4.0	59.3805	-4.1	61.0603	-3.9	-
Israel	(Shk)	5.6843	-0.0428	554 - 731	5.6856	5.6554	-	-	-	-	-	-	-
Japan	(Y)	194.941	-0.145	855 - 028	195.480	193.980	193.921	6.3	191.896	6.2	182.911	6.2	126.1
Malaysia	(M$)	4.7544	+0.026	486 - 582	4.7595	4.6614	4.7587	-1.1	4.7667	-1.0	4.7853	-0.6	-
New Zealand	(NZ$)	2.5388	+0.0017	874 - 402	2.5471	2.5224	2.542	-1.5	2.5458	-1.1	2.5464	-0.3	107.5
Philippines	(Peso)	49.0277	-0.2751	588 - 965	50.0918	48.8002	49.1876	-3.9	49.437	-3.3	50.494	-3.0	-
Saudi Arabia	(SR)	6.0487	-0.034	475 - 499	6.0604	6.0217	6.0452	0.7	6.0368	0.8	6.0003	0.8	-
Singapore	(S$)	2.4506	-0.0024	478 - 534	2.4534	2.4253	2.446	2.3	2.4359	2.4	2.3877	2.6	-
South Africa	(R)	7.5824	-0.0263	788 - 859	7.5982	7.5579	7.6431	-9.6	7.761	-9.4	8.198	-8.1	-
South Korea	(Won)	1458.81	-4.87	885 - 928	1461.42	1452.50	-	-	-	-	-	-	-
Taiwan	(T$)	46.1593	-0.4188	465 - 721	46.2131	45.9574	46.1427	0.4	46.1029	0.5	45.8053	0.8	-
Thailand	(Bt)	55.7206	+0.2712	313 - 098	55.8100	52.3580	56.0572	-7.2	56.5188	-5.7	57.549	-3.3	-

† Rates for Aug 29. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T. The exchange rates printed in this table are also available on the Internet at http://www.FT.com

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Sep 1		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P. Morgan index
Europe													
Austria	(Sch)	12.7478	+0.0791	447 - 504	12.7870	12.6900	12.7236	2.3	12.6748	2.3	12.4506	2.3	101.9
Belgium	(BFr)	37.3980	+0.238	950 - 010	37.5150	37.2830	37.323	2.4	37.1715	2.4	36.478	2.5	101.7
Denmark	(DKr)	6.8980	+0.0434	970 - 990	6.9194	6.8765	6.8863	2.0	6.862	2.1	6.7556	2.1	103.3
Finland	(FM)	5.4472	+0.0273	435 - 509	5.4675	5.4265	5.4356	2.5	5.412	2.6	5.3182	2.4	80.1
France	(FFr)	6.0967	+0.0312	962 - 972	6.1175	6.0779	6.0852	2.3	6.0614	2.3	5.9535	2.4	103.9
Germany	(DM)	1.8114	+0.0112	110 - 117	1.8170	1.8050	1.8075	2.6	1.7997	2.6	1.7648	2.6	102.2
Greece	(Dr)	284.790	+1.68	740 - 840	285.680	283.740	286.085	-5.5	288.14	-4.7	295.29	-3.7	84.9
Ireland	(I£)	1.4869	-0.0003	849 - 889	1.4894	1.4746	1.4862	0.8	1.4852	0.5	1.4856	0.1	-
Italy	(L)	1767.00	+6.29	680 - 720	1778.00	1761.84	1768.77	-1.2	1771.78	-1.1	1775.2	-0.5	75.6
Luxembourg	(LFr)	37.3980	+0.238	950 - 010	37.5150	37.2830	37.323	2.4	37.1715	2.4	36.478	2.5	101.7
Netherlands	(Fl)	2.0397	+0.0132	394 - 400	2.0483	2.0326	2.0354	2.5	2.0269	2.5	1.9892	2.5	101.0
Norway	(NKr)	7.4980	+0.0443	963 - 996	7.5175	7.4520	7.4836	2.3	7.4551	2.3	7.3434	2.1	96.0
Portugal	(Es)	183.540	+0.82	490 - 590	184.220	183.020	183.504	0.2	183.45	0.2	182.29	0.7	92.6
Spain	(Pta)	152.705	+0.875	690 - 720	153.370	152.280	152.66	0.4	152.485	0.6	151.31	0.9	76.3
Sweden	(SKr)	7.6747	+0.0237	709 - 784	7.9237	7.8437	7.8658	1.4	7.8463	1.4	7.7723	1.3	84.9
Switzerland	(SFr)	1.4919	+0.0077	913 - 923	1.4995	1.4850	1.4865	4.3	1.4758	4.3	1.4303	4.1	105.4
UK	(£)	1.6128	-0.009	125 - 130	1.6159	1.6055	1.6107	1.8	1.6065	1.6	1.5897	1.4	102.3
Ecu	-	1.0854	-0.0069	850 - 857	1.0888	1.0820	1.0868	-1.6	1.09	-1.7	1.1056	-1.8	-
SDR†	-	0.733364	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9998	-	998 - 998	0.9998	0.9998	-	-	-	-	-	-	-
Brazil	(R$)	1.0915	-0.0005	914 - 916	1.0916	1.0901	-	-	-	-	-	-	-
Canada	(C$)	1.3876	-0.0009	873 - 878	1.3895	1.3865	1.3844	2.7	1.3787	2.6	1.3581	2.1	84.6
Mexico	(New Peso)	7.8150	+0.036	050 - 250	7.8250	7.8050	7.9235	-16.7	8.1345	-16.4	9.045	-15.7	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	106.7
Pacific/Middle East/Africa													
Australia	(A$)	1.3681	+0.0085	676 - 686	1.3695	1.3670	1.3675	0.5	1.3657	0.7	1.3573	0.8	94.5
Hong Kong	(HK$)	7.7495	+0.0005	490 - 500	7.7500	7.7470	7.75	-0.1	7.7509	-0.1	7.7532	0.0	-
India	(Rs)	36.4500	+0.12	500 - 500	36.5500	36.3420	36.5875	-4.5	36.8725	-4.6	38.085	-4.5	-
Israel	(Shk)	3.5122	-0.0068	072 - 171	3.5248	3.5114	-	-	-	-	-	-	-
Japan	(Y)	120.873	+0.585	840 - 810	121.100	120.450	120.36	5.1	119.36	5.0	115.06	4.8	129.4
Malaysia	(M$)	2.9480	+0.0325	455 - 505	2.9505	2.9050	2.9525	-1.8	2.9615	-1.8	2.9915	-1.5	-
New Zealand	(NZ$)	1.5742	+0.0098	736 - 748	1.5763	1.5711	1.575	-0.8	1.5774	-0.8	1.5875	-0.8	-
Philippines	(Peso)	30.4000	-	000 - 000	31.2000	30.2000	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7506	-	504 - 507	3.7507	3.7504	3.7513	-0.2	3.7523	-0.2	3.7569	-0.2	-
Singapore	(S$)	1.5195	+0.007	180 - 210	1.5215	1.5050	1.5178	1.4	1.514	1.5	1.4945	1.6	-
South Africa	(R)	4.7015	+0.01	000 - 030	4.7100	4.6930	4.742	-10.3	4.8215	-10.2	5.124	-9.0	-
South Korea	(Won)	904.550	+2.05	400 - 700	904.700	903.800	-	-	-	-	-	-	-
Taiwan	(T$)	28.6215	-0.0985	180 - 250	28.6260	28.5970	28.6325	-0.5	28.6415	-0.3	28.734	-0.4	-
Thailand	(Bt)	34.5500	+0.36	000 - 000	34.6000	32.4000	34.995	-15.5	35.7	-13.3	36.93	-6.9	-

† SDR rate per $ for Aug 29. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Aug 29: Base average 1990=100. The exchange rates printed in this table are also available on the Internet at http://www.FT.com

WORLD INTEREST RATES

MONEY RATES

September 1	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	3½	[illegible]	[illegible]	[illegible]	[illegible]	6.00	2.50	-
France	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	3.10	-	4.75
Germany	[illegible]	[illegible]	3¼	3⅜	[illegible]	4.50	2.50	3.00
Ireland	6¼	6¼	6¼	[illegible]	6⅛	-	-	6.75
Italy	[illegible]	[illegible]	6⅝	[illegible]	6⅛	7.75	6.25	6.79
Netherlands	[illegible]	[illegible]	3⅜	[illegible]	[illegible]	-	2.50	3.00
Switzerland	1	1⅛	[illegible]	[illegible]	1⅜	-	1.00	-
US	[illegible]	[illegible]	5⅝	5¾	[illegible]	-	5.00	-
Japan	½	½	½	½	[illegible]	-	0.50	-
■ **$ LIBOR FT London**								
Interbank Fixing	-	[illegible]	[illegible]	[illegible]	6⅛	-	-	-
US Dollar CDs	-	5.44	5.48	5.54	5.71	-	-	-
ECU Linked Ds	-	[illegible]	[illegible]	4⅜	[illegible]	-	-	-
SDR Linked Ds	-	[illegible]	3⅜	[illegible]	3⅜	-	-	-

$ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo Mitsubishi, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Sep 1	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	3½ - [illegible]	3½ - [illegible]	3⅝ - 3½	3¾ - 3⅝	[illegible]	[illegible]
Danish Krone	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
German Mark	3⅛ - [illegible]	3⅛ - [illegible]	3¼ - 3⅛	3¼ - 3¼	[illegible]	3⅝ - [illegible]
Dutch Guilder	3¼ - [illegible]	[illegible]	[illegible]	[illegible] - 4⅞	[illegible] - 5⅛	3¾ - [illegible]
French Franc	3¼ - 3⅛	3¼ - [illegible]	[illegible] - 3¼	[illegible]	3½ - [illegible]	[illegible]
Portuguese Esc.	[illegible]	5½ - [illegible]	5½ - [illegible]	[illegible]	[illegible] - 5⅜	[illegible] - 5¼
Spanish Peseta	[illegible]	[illegible]	[illegible]	[illegible]	[illegible] - 5⅛	[illegible]
Sterling	[illegible] - 7	7⅛ - 7	[illegible]	7¼ - [illegible]	[illegible] - 7⅝	[illegible]
Swiss Franc	1¼ - ¾	[illegible]	1¼ - 1⅛	1⅜ - 1¼	[illegible]	[illegible]
Canadian Dollar	3⅞ - 3¼	[illegible] - 3¼	[illegible] - 3¼	3⅝ - 3⅞	3⅞ - 3⅝	[illegible]
US Dollar	5⅝ - 5½	5⅝ - 5½	[illegible]	[illegible]	[illegible]	[illegible]
Italian Lira	[illegible]	[illegible]	[illegible]	[illegible] - 6¾	6¾ - [illegible]	[illegible]
Japanese Yen	[illegible] - ½	⅝ - ½	[illegible]	[illegible]	[illegible]	[illegible]
Asian $Sing	2⅞ - 2¾	4¼ - 4⅛	4¼ - 4⅛	4¼ - 4⅛	4⅛ - 4	4⅛ - 4

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ **THREE MONTH PIBOR FUTURES** (MATIF) Paris interbank offered rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	96.55	96.56	+0.01	96.56	96.54	4,209	59,050
Dec	96.37	96.39	+0.02	96.39	96.36	4,601	36,960
Mar	96.24	96.25	+0.01	96.25	96.22	18	28,917

■ **THREE MONTH EUROMARK FUTURES** (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	96.65	96.66	-	96.67	96.65	9933	225652
Dec	96.45	96.45	-0.01	96.48	96.44	13031	286353
Mar	96.30	96.30	-	96.31	96.28	10161	270623
Jun	96.08	96.08	-	96.09	96.06	10865	211419

■ **ONE MONTH EUROMARK FUTURES** (LIFFE)* DM3m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep		96.76	-			0	348
Oct		96.70	-			0	265
Nov		96.65	-			0	80
Dec		96.44	-			0	700

■ **THREE MONTH EUROLIRA FUTURES** (LIFFE)* L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	93.21	93.22	-	93.22	93.20	4237	97378
Dec	93.53	93.55	+0.02	93.56	93.52	6909	90884
Mar	93.84	93.88	+0.04	93.89	93.83	2380	59049
Jun	94.09	94.18	+0.07	94.18	94.07	2190	46822

■ **THREE MONTH EURO SWISS FRANC FUTURES** (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	98.54	98.56	+0.03	98.57	98.54	5165	52444
Dec	98.28	98.32	+0.05	98.34	98.28	6404	56640
Mar	98.12	98.14	+0.04	98.15	98.11	1147	27919
Jun	97.89	97.93	+0.04	97.93	97.89	522	12130

■ **THREE MONTH EUROYEN FUTURES** (LIFFE) Y100m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep		99.43	-			0	na
Dec		99.42	-			0	na
Mar		99.36	-			0	na

■ **THREE MONTH ECU FUTURES** (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	95.61	95.62	+0.01	95.61	95.61	91	9661
Dec	95.50	95.52	+0.02	95.52	95.50	56	10428
Mar		95.46	+0.01			0	6245
Jun	95.40	95.39	+0.02	95.40	95.40	7	3359

* LIFFE futures also traded on APT

■ **EUROLIRA OPTIONS** (LIFFE) L1000m points of 100%

Strike Price	CALLS Sep	CALLS Dec	CALLS Mar	PUTS Sep	PUTS Dec	PUTS Mar
9300	0.23	0.60	0.94	0.01	0.05	0.06
9325	0.03	0.39	0.72	0.06	0.09	0.09
9350	0.01	0.22	0.52	0.29	0.17	0.14

Est. vol. total, Calls 2700 Puts 500. Previous day's open int., Calls 149697 Puts 70636

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Sep 1		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.44	16.30	4.844	1.798	4725	5.454	20.05	490.8	408.3	21.06	3.989	1.658	3.710	2.674	323.2	2.464
Denmark	(DKr)	54.22	10	8.839	2.626	0.975	2562	2.957	10.87	266.1	221.4	11.42	2.163	0.899	2.012	1.450	175.2	1.336
France	(FFr)	61.34	11.31	10	2.971	1.103	2898	3.346	12.30	301.0	250.5	12.92	2.447	1.017	2.276	1.640	198.3	1.511
Germany	(DM)	20.65	3.808	3.366	1	0.371	975.5	1.126	4.139	101.3	84.30	4.347	0.824	0.342	0.766	0.552	66.73	0.509
Ireland	(I£)	55.61	10.26	9.065	2.693	1	2627	3.033	11.15	272.9	227.1	11.71	2.218	0.922	2.063	1.487	179.7	1.370
Italy	(L)	2.118	0.390	0.345	0.103	0.038	100	0.115	0.424	10.39	8.642	0.446	0.084	0.035	0.079	0.057	6.841	0.052
Netherlands	(Fl)	18.34	3.382	2.989	0.888	0.330	866.3	1	3.676	89.98	74.87	3.861	0.731	0.304	0.680	0.490	59.26	0.452
Norway	(NKr)	49.88	9.200	8.131	2.418	0.897	2357	2.720	10	244.8	203.7	10.50	1.990	0.827	1.851	1.334	161.2	1.229
Portugal	(Es)	20.38	3.758	3.322	0.987	0.366	962.7	1.111	4.085	100	83.20	4.290	0.813	0.338	0.756	0.545	65.86	0.502
Spain	(Pta)	24.49	4.517	3.992	1.186	0.440	1157	1.336	4.910	120.2	100	5.157	0.977	0.406	0.909	0.655	79.19	0.603
Sweden	(SKr)	47.49	8.760	7.742	2.300	0.854	2244	2.590	9.522	233.1	193.9	10	1.894	0.787	1.762	1.270	153.5	1.170
Switzerland	(SFr)	25.07	4.624	4.087	1.214	0.451	1184	1.367	5.026	123.0	102.4	5.279	1	0.416	0.930	0.670	81.03	0.618
UK	(£)	60.32	11.13	9.833	2.921	1.085	2850	3.290	12.09	296.0	246.3	12.70	2.406	1	2.238	1.613	194.9	1.486
Canada	(C$)	26.95	4.971	4.394	1.305	0.485	1273	1.470	5.404	132.3	110.0	5.675	1.075	0.447	1	0.721	87.11	0.664
USA	($)	37.40	6.898	6.097	1.811	0.673	1767	2.040	7.498	183.5	152.7	7.875	1.492	0.620	1.388	1	120.9	0.921
Japan	(Y)	30.94	5.707	5.044	1.499	0.556	1462	1.687	6.203	151.8	126.3	6.515	1.234	0.513	1.148	0.827	100	0.762
Ecu	-	40.59	7.487	6.617	1.966	0.730	1919	2.214	8.138	199.2	165.7	8.547	1.619	0.673	1.506	1.085	131.2	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ **D-MARK FUTURES** (IMM) DM 125,000 per DM

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	0.5572	0.5533	-0.0041	0.5594	0.5519	39,047	96,061
Dec	0.5610	0.5565	-0.0041	0.5610	0.5548	2,063	6,912
Mar	0.5635	0.5596	-0.0041	0.5635	0.5590	1	1,534

■ **SWISS FRANC FUTURES** (IMM) SFr 125,000 per SFr

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	0.6750	0.6712	-0.0036	0.6770	0.6696	15,099	50,762
Dec	0.6825	0.6782	-0.0037	0.6827	0.6767	368	3,690
Mar	-	0.6852	-0.0037	-	0.6850	114	1,061

■ **JAPANESE YEN FUTURES** (IMM) Yen 12.5m per Yen 100

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	0.8413	0.8281	-0.0133	0.8430	0.8262	20,533	97,615
Dec	0.8510	0.8389	-0.0135	0.8532	0.8369	921	3,454
Mar	0.8500	0.8502	-0.0137	0.8502	0.8500	9	578

■ **STERLING FUTURES** (IMM) £62,500 per £

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	1.6156	1.6194	+0.0034	1.6240	1.6150	6,121	46,914
Dec	1.6160	1.6132	+0.0034	1.6168	1.6092	309	1,607
Mar	-	1.6066	+0.0034	1.6100	-	1	217

UK INTEREST RATES

LONDON MONEY RATES

Sep 1	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	[illegible] - 6⅝	7⅛ - [illegible]	[illegible]	[illegible]	7½ - [illegible]	7⅝ - 7½
Sterling CDs	-	-	7¼ - [illegible]	[illegible] - 7¼	[illegible]	[illegible] - 7⅝
Treasury Bills	-	-	[illegible]	7 - 6⅞	-	-
Bank Bills	-	-	[illegible]	[illegible]	[illegible]	-
Local authority deps.	7 - 6¾	7 - 6¾	7⅛ - [illegible]	[illegible]	[illegible]	[illegible]
Discount Market deps	7 - 6⅞	6⅞ - 6¾	-	-	-	-

UK clearing bank base lending rate 7 per cent from Aug 7, 1997

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	2½	5½	5	5	4¾

Certs of Tax dep. under £100,000 is 2½pc. Deposits withdrawn for cash 1¼pc.
Ave. tender rate of discount on Aug 29, 6.9241pc. ECGD fixed rate Stg. Export Finance. Make up day Aug 29, 1997. Agreed rate for period Sep 24, 1997 to Oct 25, 1997, Scheme III 8.50pc. Reference rate for period Aug 1, 1997 to Aug 29, 1997, Schemes IV & V 7.229pc. Finance House Base Rate 7pc from Aug 1, 1997

■ **THREE MONTH STERLING FUTURES** (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	92.68	92.70	+0.01	92.71	92.67	8117	106599
Dec	92.50	92.54	+0.03	92.55	92.48	18485	126721
Mar	92.45	92.50	+0.05	92.51	92.44	7679	108638
Jun	92.47	92.53	+0.03	92.54	92.47	3949	76340
Sep	92.57	92.61	+0.03	92.63	92.56	2910	56021

Also traded on APT. All Open interest figs. are for previous day.

■ **SHORT STERLING OPTIONS** (LIFFE) £500,000 points of 100%

Strike Price	CALLS Sep	CALLS Dec	CALLS Mar	PUTS Sep	PUTS Dec	PUTS Mar
9250	0.21	0.15	0.18	0.01	0.11	0.18
9275	0.02	0.04	0.08	0.07	0.25	0.33
9300	0	0.01	0.03	0.30	0.47	0.53

Est. vol. total, Calls 2681 Puts 1975. Previous day's open int., Calls 204570 Puts 213730

EMS EUROPEAN CURRENCY UNIT RATES

Sep 1	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Ireland	0.796709	0.734586	-0.002227	-8.03	11.80	54
Italy	1906.48	1925.13	-5.07	0.98	1.63	-7
Portugal	197.398	199.906	-0.217	1.27	1.53	-9
Finland	5.85424	5.93735	+0.00673	1.42	1.38	-8
Spain	163.826	166.398	-0.133	1.57	1.23	-11
Denmark	7.34555	7.51375	+0.00668	2.29	0.52	-19
Netherlands	2.16979	2.22187	+0.00134	2.40	0.41	-19
Germany	1.92573	1.97295	+0.00156	2.45	0.36	-24
Austria	13.5485	13.8852	+0.012	2.49	0.33	-18
Belgium	39.7191	40.7346	+0.0315	2.56	0.26	-19
France	6.45863	6.64091	+0.00544	2.82	0.00	-24
NON ERM MEMBERS						
Greece	295.269	310.244	-0.011	5.07	-2.14	-
UK	0.793103	0.675101	-0.00148	-14.88	20.78	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate. 17/9/92: Sterling suspended from ERM. Adjustment calculated by the Financial Times.

■ **PHILADELPHIA SE £/$ OPTIONS** £31,250 (cents per pound)

Strike Price	CALLS Sep	CALLS Oct	CALLS Nov	PUTS Sep	PUTS Oct	PUTS Nov
1.610	1.65	2.41	3.14	0.83	1.75	2.69
1.620	1.14	1.90	2.65	1.25	2.25	3.21
1.630	0.65	1.48	2.27	1.86	2.78	3.78

Previous day's vol., Calls 128 Puts 285. Prev. day's open int., Calls 36,307 Puts 38,396

■ **PHILADELPHIA SE D-MARK/$ OPTIONS** DM62,500 ($ per DM)

Strike Price	CALLS Sep	CALLS Oct	CALLS Nov	PUTS Sep	PUTS Oct	PUTS Nov
0.550	0.85	1.04	1.37	0.41	0.70	0.94
0.555	0.41	0.85	1.12	0.65	0.95	1.18
0.560	0.24	0.58	0.90	0.97	1.25	1.44

Previous day's vol., Calls 44,642 Puts 25,013. Prev. day's open int., Calls 86,770 Puts 45,831

■ **THREE MONTH EURODOLLAR** (IMM) $1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	94.27	94.27	-	94.29	94.26	42,350	467,145
Dec	94.12	94.09	-0.02	94.14	94.07	101,521	511,340
Mar	94.04	93.99	-0.05	94.07	93.96	109,313	357,592

■ **US TREASURY BILL FUTURES** (IMM) $1m per 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	94.94	94.93	-	94.96	94.93	583	6,510
Dec	94.87	94.81	-0.02	94.87	94.79	26	2,567
Mar	-	94.75	-0.03	94.82	94.73	4	1,189

All Open interest figs. are for previous day

■ **EUROMARK OPTIONS** (LIFFE) DM1m points of 100%

Strike Price	CALLS Sep	CALLS Oct	CALLS Nov	CALLS Dec	PUTS Sep	PUTS Oct	PUTS Nov	PUTS Dec
9625	0.41	0.22	0.24	0.25	0	0.02	0.04	0.05
9650	0.16	0.08	0.08	0.09	0	0.11	0.13	0.14
9675	0.01	0.01	0.02	0.02	0.10	0.31	0.32	0.32
9700	0	0	0	0	0.34	0.55	0.55	0.55
9725	0	0	0	0	0.59	0.80	0.80	0.80

Est. vol. total, Calls 1021 Puts 330. Previous day's open int., Calls 383169 Puts 281946

■ **EURO SWISS FRANC OPTIONS** (LIFFE) SFr 1m points of 100%

Strike Price	CALLS Sep	CALLS Dec	CALLS Mar	PUTS Sep	PUTS Dec	PUTS Mar
9875	0.01	0.03	0.04	0.20	0.46	0.65
9900	0	0.01	0.02	0.44	0.69	0.88

Est. vol. total, Calls 0 Puts 0. Previous day's open int., Calls 4425 Puts 3930

BASE LENDING RATES

	%		%		%
Adam & Company	7.00	Duncan Lawrie	7.00	Scottish Widows Bank	7.00
Allied Irish Bank (GB)	7.00	Exeter Bank Limited	8.00	●Singer & Friedlander	7.00
●Henry Ansbacher	7.00	Financial & Gen Bank	8.00	●Smith & Williamson Secs	7.00
Bank of Baroda	7.00	●Robert Fleming & Co	7.00	Sun Banking Corp Ltd	7.00
Banco Bilbao Vizcaya	7.00	●Guinness Mahon	7.00	TSB	7.00
Bank of Cyprus	7.00	Habib Bank AG Zurich	7.00	United Bank of Kuwait	7.00
Bank of Ireland	7.00	●Hambros Bank	7.00	Unity Trust Bank Plc	7.00
Bank of India	7.00	Heritable & Gen Inv Bk	7.00	Whiteaway Laidlaw	7.00
Bank of Scotland	7.00	C. Hoare & Co	7.00	Yorkshire Bank	7.00
Barclays Bank	7.00	Hongkong & Shanghai	7.00		
Brit Bk of Mid East	7.00	Investec Bank (UK) Ltd	7.00	● Members of London Investment Banking Association	
●Brown Shipley & Co Ltd	7.00	Julian Hodge Bank	7.00	* In administration	
Citibank NA	7.00	●Leopold Joseph & Sons	7.00		
Clydesdale Bank	7.00	Lloyds Bank	7.00		
The Co-operative Bank	7.00	Midland Bank	7.00		
Coutts & Co	7.00	NatWestminster	7.00		
Cyprus Popular Bank	7.00	●Rea Brothers	7.00		
		Royal Bk of Scotland	7.00		

COMMODITIES AND AGRICULTURE

LME squeeze 'makes zinc more profitable'

By Kenneth Gooding, Mining Correspondent

The squeeze in the London Metal Exchange's zinc market is making zinc mining much more profitable than copper production, according to Ted Arnold, first vice-president and metals specialist at the Merrill Lynch investment bank.

He says it is still not clear whether the squeeze will reach a climax this month or whether it will continue for several more months.

He suggests that zinc producers should "view any strong rises in forward 1998 and 1999 prices as either forward selling opportunities or lock in those prices through some type of options related deal". Writing in Merrill's Base & Precious Metals newsletter, he adds that "$1,500 a tonne and above is a very good long-term price".

"Equally, consumers who find they have too much refined zinc in stock may want to lend it to the market or even sell it back," he says. "These prices can't last for ever."

Nevertheless, Mr Arnold suggests that "the fundamentals still favour higher average zinc prices for the rest of this year and into 1998".

Merrill has lifted its forecast of the average LME spot zinc price for this year by 5 cents a pound to 61 cents ($1,344.50 a tonne) and the average for 1998 by 2 cents a pound to 62 cents ($1,366.50). Over the next two months zinc is likely to trade within a range of $1,400 to $1,700 a tonne, Merrill predicts.

Mr Arnold said that some Chinese zinc smelters are on the wrong end of the squeeze because they sold short – sold zinc they did not have in the hope that prices would fall and they could cover their positions later at lower prices.

"Everyone, bnt everyone, in the producing, consuming and merchant side of the zinc business knew that prices would be rising because of the supply deficits and the well signalled intentions of several large merchant firms to take advantage of this supply deficit.

"To go short in such a situation was the equivalent of playing Russian roulette with five bullets in the revolver. Yet the Chinese did go short at $1,100 a tonne as the result of one strategy meeting in Beijing."

Mr Arnold suggests the zinc smelters were not to blame because they were carrying out orders. "The ethos [in China] that goes with central planning and central planning decisions still pervades wide sections of industry."

Rivals in rush to beat Voisey's

By Kenneth Gooding

The rush by smaller nickel ventures to beat into production Inco's huge Voisey's Bay project in Labrador, destined to be the world's biggest and lowest cost producer, is gathering speed.

Minorco, the Anglo American Corporation of South Africa offshoot, has completed debt financing for its US$450m Loma de Niquel project in Venezuela and expects to be in production in the first quarter of 2000.

The International Finance Corporation, the World Bank's commercial arm, will provide $115m, including a direct $65m loan, with the balance provided by a banking syndicate underwritten by Dresdner Bank (Luxembourg). Kreditanstalt für Wiederaufbau of Germany will provide $100m, comprising a $60m import finance facility and a $40m export credit facility.

Meanwhile, Anaconda Nickel of Australia has raised US$420m for its 60 per cent share of the Murrin Murrin nickel project by issuing high-yield, non-recourse bonds in the US. The issue was underwritten by NatWest Capital Markets, Salomon Brothers and CIBC Wood Gundy.

Glencore, the Swiss international trading group, owns the other 40 per cent of Murrin Murrin and has a direct 20 per cent stake in Anaconda.

Murrin Murrin is on course to start up late next year, just behind Bulong, wholly owned by Resolute, a Perth-based mining company, which aims to have first production in the second quarter of 1998.

They are two of several projects that aim to exploit laterite nickel deposits in Western Australia.

Further delay to pepper exchange

By Kunal Bose in Calcutta

Traders in India yesterday said tbey were disappointed at a further delay to the start of international business on the pepper exchange at Cochin.

The pepper futures market in tha state of Kerala has no dealing room. Traders gather in the corridor of the India Papper and Spice Trade Association headquarters – but Cochin was to become India's first international commodities exchange.

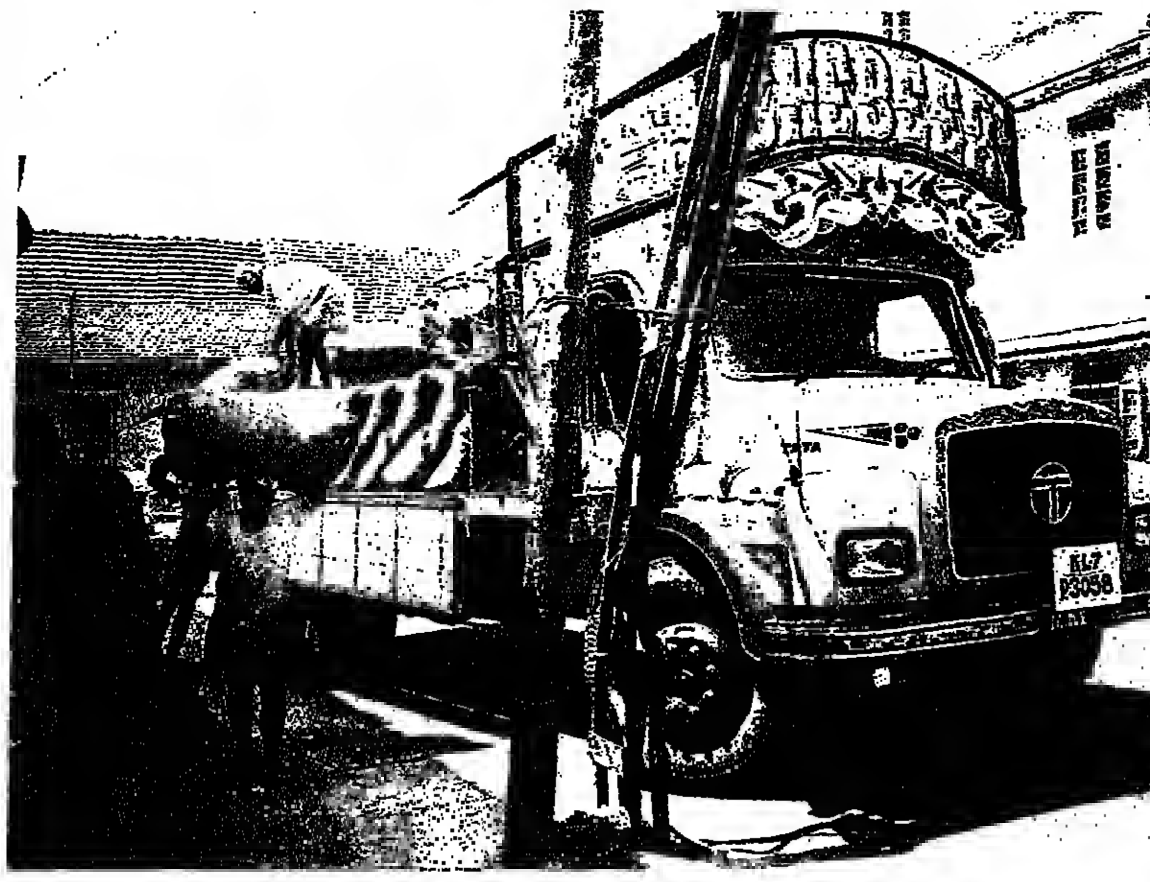
Now the opening, previously scheduled for April, has been postponed to October. The Indian Pepper and Spices Trading Association said this was caused by the failure of hanks to secure the approval of the Reserve Bank, the country's central bank, to snbscribe to the equity capital of the clearing house of the exchange.

"The country's first international commodity exchange was to have started functioning last October," said IPSTA. "Since we could not put the infrastructure in place, the commissioning of trading was first postponed to April and then again to August. The mock trading was, however, held in July last and the domestic traders familiarised themselves with futures trading procedures."

The civil supplies ministry told IPSTA it was in touch with the Reserve Bank to get its approval for the banks' participation in the clearing bouse. It wants the pepper exchange to become tbe model for the other commodity exchanges.

According to the growers' representatives, since there is a global shortfall in the pepper crop and the prices of pepper are rising, the functioning of the exchange will have benefited the producers. All the leading producing countries will be participating in the Cochin futures trading and the annual volume will be around $200m.

India produces about half the world's annual 180,000 tonnes of pepper. Buyers are mostly food processors, meat packers and condiment makers.



Mark Nicholson

Waiting for an opening in international futures: unloading outside Cochin's Pepper Exchange

Copper shrugs off shutdowns

MARKETS REPORT

By Kenneth Gooding and Gary Mead

On the London Metal Exchange the copper market failed to react to news that two smelters had shut down temporarily.

Sterlite, which operates India's only private sector copper smelter, producing an annnal 100,000 tonnas, stopped output after explosions killed two employees at the weekend.

The company said it suspected saboteurs because on Saturday the authorities detained hundreds of protesters demanding the smelter, which started up in 1996, be permanently closed. They claimed it was a pollnter.

A strike at Philippine Smelting and Refining caused its 172,000 tonnes a year Isabel smelter to be shut down. Pasar said the strike would have to last two months before it hit exports.

The recent copper squeeze was all but forgotten and the market was in contango – the price for metal for three-month delivery was $24 a tonne above that for copper for immediate delivery. Trading in all LME markets was quiet, reflecting the lack of US participation because of the Labor Day holiday.

Tightness in the zinc market continued and traders dismissed a claim by a Chinese official that China's zinc amelters had covered most of their short positions.

The LME reported that zinc stocks in its warehouses had risen by 1,125 tonnes.

However, William Adams, analyst at Rudolf Wolff, said: "It will take more than an increase of 1,000 tonnes to maka tbe [Chinese] story seem convincing. It seems that someone continues to keep a tight hold on physical metal."

On the London International Financial Futures Exchange trading in soft commodities lacked spirit.

Cocoa futures generally ended the day lower, with the leading contract, for December, opening £16 down, more than three times lower than pre-market anticipations.

It failed to regain much ground later and closed £12 down at £1,155 a tonne, with just 976 lots of the December contract traded during the day.

Volume was equally thin in coffee, but it evoked greater interest, with November, the benchmark month on Liffe, up by $23 to $1,604 a tonne in the pre-lunchtime session and then reaching $1,617, before closing at $1,607, $26 higher.

Trinidad and Tobago find lifts gas sector hopes

A big natural gas find in Trinidad and Tobago by three European companies promises significant expansion for the Caribbean country's gas and gas-based industries.

Trinidad and Tobago's energy sector is expecting investments, mainly from North America and Europe, of about $4bn, mostly in gas recovery and gas-based industries, over the next four years.

The latest find, by British Gas, Agip of Italy and Deminex of Germany, is "major in size and significant in its implications", they said. Government officials expect further significant discoveries by other companies with production-sharing agreements with the state.

Tha explorations are concentrated mainly offshore, in areas known to contain significant reservoirs, but which in the past have not been commercially viable because of the limits of technology.

The new fields being worked will be used to feed an expanding petrochemical sector producing liquefied natural gas, nitrogenous fertilisers and methanol, and a range of heavy industries including steel and aluminium plants.

Trinidad and Tobago's natural gas production, at 750m cu ft per day last year, will rise to 1bn cu ft per day by 2000, according to senior officials of the state-owned National Gas Company. Before the new finds, the country had known gas reserves of 18,000bn cu ft, which sbould last about 25 years at the level of production projected for 2000.

The discovery by the European consortium was made in two wells in the North Coast Marine Area I, which covers 230,000 acres and contains several gas fields which have potential reserves of more than 3,000bn co ft of gas.

"This discovery firmly positions the consortium to be a major supplier to the further expansion of the Atlantic LNG project in southern Trinidad," said Frank Chapman, managing director of British Gas's exploration and production division. "It comes just as British Gas is evaluating expansion options with its partners in Atlantic LNG and the government of Trinidad and Tobago."

Atlantic LNG is a consortium constructing a 3m tonnes per year liquefied natural gas plant in southern Trinidad. Production is scheduled to start in 1999, and the latest gas find will provide the feedstock for eventually doubling the plant's ootput.

Amoco of the US has a 34 per cent stake, with British Gas having 26 per cent. Repsol of Spain has 20 per cent, while Cabot and the state-owned National Gas Company of Trinidad and Tobago have 10 per cent each.

Planned expansion in other petro-chemicals will benefit from the frenzy of exploration being undertaken by several companies. The government recently agreed contracts with four companies for offshore exploration over the next three years.

The consortium, which includes Shell Exploration BV, Exxon Exploration, Arco International, Union Texas, Petrohras and Agip, will spend $290m exploring areas which were not traditionally considered favourable for the commercial exploitation of hydrocarbons.

Amoco Trinidad has started a $420m, two-year exploration, which will include the reopening of two of its gas fields which it had earlier "bottle-necked", and the opening of a new field.

Conoco Oil of the US recently signed production-sbaring contracts for the exploration off Trinidad's east coast. The $50m programme involves at least two exploratory wells, each to a depth of 4,500m in the initial exploration. "We helieve there is significant potential in the deep waters off Trinidad and Tobago," said Michael Stinson, vice-president.

Trinidad and Tobago officials speak confidently of the country of 1.2m people becoming one of the world's leading exporters of fertilisers and methanol, fueled by natural gas. Nitrogenous fertiliser production is expected to double to 5m tonnes a year by 2000, all of which will be exported.

Foreign investors, including Norsk Hydro of Norway, Ferrostal and Helm of Germany, Methanex of Canada, Farmland, Arcadian and Mississlppi Chemical of the US, have bought into state fertiliser plants that have been divested, or have built new facilities.

Canute James

JOTTER PAD

CROSSWORD

No.9,469 Set by GALAPAGOS

ACROSS

1 Wound on Edward's head was first (6)
4 Dislike turning a light on (8)
9 Powerful but crazy mytb about soldier's return (6)
10 Cheap travel for mature guide; on the contrary (8)
11 Ceremony acceptable in rigged trial (6)
12 Stopped fight, provided one press chief returned hat first (8)
13 Returned present and avoided defeat (3)
14 Chooses the Spanish sect for reorganisation (6)
17 At least Ernest has a kind of philosophy (7)
21 Aches after youth leader tripped snare (6)
25 Right winger drops round to make score (3)
26 Silent one in act: in another act (8)
27 One who can manage without soft metal (6)
28 Lazy batting at start of play leads to very early openings (8)
29 Oil is distributed in French drink; it's a fiddle (6)
30 One song heard after star's firm resistance (8)
31 Mug Des shattered leaves dirty mark (6)

DOWN

1 Noticed plant around capital (8)
2 Breaking siege had taken Ivan, initially, ten years (8)
3 interim turn about at centre (8)
5 Stayed ahead but became exhausted after switching (6)
6 Still timid, though I'm replaced by agent (6)
7 Type of language used to give emphasis (6)
3 England ruined without northern woman (6)
12 Job eastern sailors take in point of entry (7)
15 Cutter had been backed (3)
16 Keen to make call (3)
18 I represented postmen about employment abuse (5)
19 Clipper at sea before last scheduled halt (5)
20 Steer nag around divide (8)
22 Removes shorts; turns up with one missing (6)
23 Son's slow progress is difficult to make out (6)
24 Tasted funny, it is said (6)
25 Stand over heat resulting from split in race (6)

Solution to Saturday's prize puzzle on Saturday September 13.
Solntion to yesterday's prize puzzle on Monday September 15.

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE
(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1590-93	1617-18
Previous	1614-17	1633-34
High/low	8	1636/1618
AM Official	1598-99	1620-21
Kerb close		2185-86
Open int.	266,433	
Total daily turnover	70,699	

■ ALUMINIUM ALLOY ($ per tonne)

	Cash	3 mths
Close	1425-30	1455-60
Previous	1435-45	1465-70
High/low		5420/5380
AM Official	1430-40	1455-60
Kerb close		5405-06
Open int.	5,312	
Total daily turnover	939	

■ LEAD ($ per tonne)

	Cash	3 mths
Close	636.5-37.5	649-50
Previous	641-2	650-1
High/low		652/648
AM Official	637-7.5	650-1
Kerb close		649-50
Open int.	34,357	
Total daily turnover	14,198	

■ NICKEL ($ per tonne)

	Cash	3 mths
Close	6525-35	6620-30
Previous	6685-705	6795-96
High/low		6770/6600
AM Official	6580-85	6680-85
Kerb close		6625-30
Open int.	54,049	
Total daily turnover	14,925	

■ TIN ($ per tonne)

	Cash	3 mths
Close	5345-55	5400-10
Previous	5385-90	5425-30
High/low		5420/5380
AM Official	5375-85	5410-15
Kerb close		5405-06
Open int.	15,299	
Total daily turnover	3,854	

■ ZINC, special high grade ($ per tonne)

	Cash	3 mths
Close	1622-25	1483-84
Previous	1632-37	1492-93
High/low	1630/1628	1488/1480
AM Official	1629-30	1488-89
Kerb close		1485-86
Open int.	88,347	
Total daily turnover	22,531	

■ COPPER, grade A ($ per tonne)

	Cash	3 mths
Close	2173-75	2176-77
Previous	2187-90	2182-84
High/low	2180/2178	2189/2175
AM Official	2177-78	2178-79
Kerb close		2185-86
Open int.	136,061	
Total daily turnover	40,138	

■ LME AM Official £/$ rate: 1.6110
LME Closing £/$ rate: 1.6144

Spot: 1.6120 3 mths: 1.6060 0 mths: 1.5990 0 mths: 1.5951

PRECIOUS METALS

■ LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold(Troy oz)	$ price	£ equiv	SFr equiv
Close	324.30-324.80		
Opening	324.45-324.75		
Morning fix	324.40	201.955	484.329
Afternoon fix	324.50	201.078	483.018
Day's High	324.50-324.80		
Day's Low	324.25-324.55		
Previous close	324.50-325.00		

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	3.45	6 months	3.41
2 months	3.45	12 months	3.55
3 months	3.45		

Silver Fix	p/troy oz.	US cts equiv.
Spot	289.45	466.00
3 months	293.80	470.90
6 months	298.10	476.45
1 year	307.25	487.75

Gold Coins	$ price	£ equiv.
Krugerrand	319-321	198-199
Maple Leaf	-	-
New Sovereign	75-77	47-49

LME WAREHOUSE STOCKS (tonnes)

Aluminium	+2,875	to	698,800
Aluminium alloy	-180	to	53,980
Copper	+3,450	to	278,600
Lead	+4,675	to	122,400
Nickel	+258	to	58,974
Zinc	+1,125	to	379,525
Tin	+1,050	to	11,560

ENERGY

■ CRUDE OIL IPE ($/barrel)

	Sett price	Day's change	High	Low	Vol	Open int
Oct	18.43	-0.08	18.55	18.40	6,446	72,042
Nov	10.58	-0.03	18.67	18.52	3,606	29,883
Dec	18.70	-	18.75	18.63	795	19,540
Jan	18.73	-0.01	18.76	18.70	213	16,351
Feb	18 71	-0.01	18.70	18.69	35	6,620
Mar	18.65	-0.01	-	-	-	3,316
Total					11,000	158,869

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	163.50	-0.75	164.25	162.25	5,223	15,213
Oct	165.75	-0.75	166.00	164.50	2,778	19,206
Nov	167.75	-0.75	167.50	166.75	744	11,080
Dec	169.50	-1.00	169.50	168.75	1,017	15,350
Jan	171.00	-0.75	171.00	170.25	487	10,314
Feb	171.50	-0.25	171.25	171.00	106	8,576
Total					10,500	86,604

■ NATURAL GAS IPE (1,000 therms; pence per therm)

	Sett price	Day's change	High	Low	Vol	Open int
Oct	11.000	+0.040	11.000	11.000	25	1,265
Nov	13.060	+0.080	-	-	50	565
Total					635	7,125

GRAINS AND OIL SEEDS

■ WHEAT LIFFE (100 tonnes; £ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	85.30	-0.45	86.50	85.90	-	128
Nov	86.75	-0.60	07.50	86.60	41	4,245
Jan	88.75	-0.60	89.60	88.75	191	3,158
Mar	90.75	-0.60	91.60	90.75	43	2,191
May	92.75	-0.50	92.70	92.70	21	1,260
Jul	94.75	-0.50	96.50	96.00	30	122
Total					286	11,184

■ BARLEY LIFFE (100 tonnes; £ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	79.50	-0.50	86.25	80.25	4	19
Nov	82.00	-0.50	82.25	82.00	18	1,041
Jan	84.00	-0.50	84.50	84.00	10	551
Mar	86.00	-0.50	-	-	-	272
May	87.25	-0.50	-	-	-	23
Total					28	1,906

■ POTATOES LIFFE (20 tonnes; £ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	62.0	-	-	-	-	7
Mar	94.0	-	-	-	-	-
Apr	112.0	+0.4	115.0	112.0	85	995
May	125.0	+12.5	-	-	-	2
Jun	140.0	+26.0	-	-	-	-
Total					85	1,004

■ FREIGHT (BIFFEX) LIFFE ($10/index point)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	1410	-20	1425	1410	12	566
Oct	1510	-20	1515	1515	2	1,778
Jan	1510	-25	-	-	-	474
Apr	1525	-10	-	-	10	160
Total					14	2,988

	Close	Prev
BFI	1332	1330

PULP AND PAPER

■ PULPEX OMLX ($6; 24 air dry tons)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	559.00	+2.00	559.00	559.00	5	230
Dec	577.75	-	577.75	577.75	10	145
Total						

SOFTS

■ COCOA LIFFE (10 tonnes; £/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	1120	-8	1127	1108	76	5,532
Dec	1154	-13	1157	1148	976	53,191
Mar	1170	-11	1172	1164	318	46,817
May	1182	-12	1183	1176	80	22,940
Jul	1193	-11	1197	1190	287	7,961
Sep	1204	-10	1210	1205	120	11,631
Total					2,728	174,977

■ COFFEE LIFFE (5 tonnes; $/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	1575	+28	1585	1560	803	5,614
Nov	1607	+26	1617	1593	1,102	20,525
Jan	1610	+31	1619	1593	562	3,457
Mar	1604	+31	1606	1590	63	2,268
May	1604	+31	1580	1580	-	342
Jul	1600	+32	1573	1573	20	133
Total					2,530	37,386

Softs continued

■ WHITE SUGAR LIFFE (50 tonnes; $/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Oct	328.7	+0.4	328.8	328.5	412	12,782
Dec	326.8	+0.3	326.8	326.5	206	6,471
Mar	329.0	-0.5	329.5	328.6	342	9,574
May	327.6	+0.1	327.7	327.5	18	2,418
Aug	326.5	+0.7	327.0	327.0	10	969
Oct	321.9	+1.8	321.7	320.4	83	2,483
Total					988	34,819

FUTURES DATA
All futures data supplied by CMS.

LONDON TRADED OPTIONS

Strike price $ tonne — Calls — — Puts —

■ ALUMINIUM (99.7%) LME	Oct	Jan	Oct	Jan
1600	51	93	33	68
1650	28	70	60	90
1700	14	51	95	120

■ COPPER (Grade A) LME	Oct	Jan	Oct	Jan
2150	87	114	36	94
2200	59	91	58	120
2250	38	72	86	150

■ COFFEE LIFFE	Nov	Jan	Nov	Jan
1500	145	185	38	75
1550	115	157	58	97
1600	91	131	84	121

■ COCOA LIFFE	Dec	Mar	Dec	Mar
1125	76	110	47	65
1150	63	97	59	77
1175	54	68	75	91

■ BRENT CRUDE IPE	Oct	Nov	Oct	Nov
1800	-	-	-	-
1850	24	68	-	-
1900	-	46	-	-

Tea
There has been less demand for tea, The Tea Brokers' Association reports. Sales of landed tea saw best liquoring new season Assams selling well at around last levels, but all others lost between 5 pence and 10 pence. Africans met good enquiry, but prices were generally easier, particularly for medium Kenyas, which were often up to 10 pence lower. Offshore there was limited demand at easier rates. Quotations for this sale: Landed: best available 200p; good 165p; good medium 155p; medium 145p; low medium 120p. The highest price realised this week was 200p for an Assam PF.

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel)

		+or-
Dubai	$17.57-7.67w	-0.100
Brent Blend (dated)	$18.16-8.17	-0.055
Brent Blend (Oct)	$18.43-8.44	-0.055
W.T.I.	$19.65-9.67w	

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

Premium Gasoline	$212-220	+2
Gas Oil	$163-164	
Heavy Fuel Oil	$89-91	
Naphtha	$184-185	
Jet fuel	$180-181	-1
Diesel	$187-169	

■ NATURAL GAS (Pence/therm)

Bacton (Oct)	10.95-11.05

Petroleum Argus. Tel. London (0171) 359 8792

■ OTHER

Gold (per troy oz)♣	$324.55	-0.20
Silver (per troy oz)♣	467.00c	-2.00
Platinum (per troy oz.)	$409.00	
Palladium (per troy oz.)	$187.00	-4.00
Copper	102.0c	
Lead (US prod.)	45.00c	
Tin (Kuala Lumpur)	15.57r	
Tin (New York)	252.5	
Cattle (live weight)	100.74p	+0.28*
Sheep (live weight)	114.09p	+2.05*
Pigs (live weight)†	80.74p	+16.36*
Lon. day sugar (raw)	$282.80	-2.20
Lon. day sugar (wte)	$349.30	+0.50
Barley (Eng. feed)	Unq	
Maize (US No3 Yellow)	£109.00	
Wheat (US Dark North)	Unq	
Rubber (Oct)♥	59.00p	
Rubber (Nov)♥	59.00p	
Rubber (KL RSS No1)	259.5z	
Coconut Oil (Phil)§	590.0y	+10.0
Palm Oil (Malay.)§	517.5z	
Copra (Phil)§	$390.0y	-2.5
Soyabeans (US)	222.0	+2.0
Cotton Outlook'A' index	80.25c	
Wooltops (64s Super)	419p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. y Aug/Sep. z Aug. w Oct. ♥London Physical. § CIF Rotterdam. ♣ Bullion market close. * Change on week. †Based on 560 head of pigs sold.

INDICES

■ Reuters (Base: 18/9/31 = 100)

Sep 1	Aug 29	month ago	year ago
1920.2	1912.6	1926.6	1963.0

■ CRB Futures (Base: 1967 = 100)

Aug 29	Aug 28	month ago	year ago
n/a	240.43		

■ GSCI Spot (Base: 1970 = 100)

Aug 29	Aug 28	month ago	year ago
195.77	194.90	189.37	199.06

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

BERMUDA (REGULATED)(**)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

Offshore Funds and Insurances

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BAII Asset Management Ltd
10 Piccadilly, London W1B 0EE 0171 734 3700

	Init Charge	Notes	Selling Price	Buying Price	+ or -	Yield Gr's
Interportfolio NAV Aug 14 F			$960.16		-3.29	-
Interportfolio Fund						
Convertible (USD) Aug 18			$784.28		-	-
Convertible (FFr) Aug 18 F			FFr356.41		-	-

Bank Von Ernst & Cie AG
Marktgasse 63/65 3001 Bern, Switzerland 0041 313291111

	Init Charge	Notes	Selling Price	Buying Price	+ or -	Yield Gr's
UK Equity			$17.34		-0.11	-
US Smaller Co's Eqty			$26.75		+0.01	-
Nth American Equity			$18.90		-0.07	-
US Smaller Co A Eqty			$24.88		+0.11	-
Pacific Basin Equity			$13.95		-0.26	-
Japanese Equity			Y924		-15	-
European Equity			DM12.57		-0.20	-
Swiss Equity			SFr19.31		-0.06	-
Sterling Fixed Int			£11.00		-	-
Sterling Fixed Int Div			£10.57		-	-
European Fixed Int			DM13.62		-0.01	-
European Fixed Int Div			DM9.34		-0.01	-
DM Bond Cap			DM11.1		+0.01	-
DM Short Term Cap			DM10.30		-	-
Global Equity			$14.56		-0.08	-
Global Bond			$13.50		+0.05	-
Global Bond Div			$9.00		+0.04	-
Global Managed			DM11.35		-0.33	-
Swiss Franc Short Term Div			SFr9.80		[illegible]	-
Swiss Franc Short Term Cap			SFr9.80		-	-
Swiss Franc Bonds Div			SFr10.30		[illegible]	-
Swiss Franc Bonds Cap			SFr10.30		-	-

Banque Indosuez
39 Allee Scheffer, L-2520 Luxembourg 00352 47671

	Init Charge	Notes	Selling Price	Buying Price	+ or -	Yield Gr's
Indosuez European Small Crs			DM15.05		-	-
Indosuez Multimedia			$16.76		[illegible]	-

Barclays Diversified Portfolio (z)
00 avenue J.F. Kennedy, L-2951 352 4799 2808

	Init Charge	Notes	Selling Price	Buying Price	+ or -	Yield Gr's
BPB Deutschmark Reserve	1		DM36.80		-	-
BPB Sterling Reserve	1		£13.07		-	-
BPB US Dollar Reserve	1		$24.69		-	-
BPB European Bond	3½		Ecu21.11		-	-
BPB North American Bond	3½		$26.08		-	-
BPB Escudo	3½		[illegible]		-	-
BPB Emerging Markets			$20.59		-	-
BPB Europe	3½		Ecu23.70		-	-
BPB Japan	3½		[illegible]		-	-
BPB Pacific Rim	1½		$34.39		-	-
BPB United Kingdom	3½		£20.23		-	-
BPB United States	3½		$45.53		-	-
BPB Hedged Global Bd Div			$25.96		-	-
BPB Hedged Global Bd Stg	½		£13.48		-	-
BPB Hedged Global Bd FFr			FFr[illegible]		-	-

Barclays Inv Funds (Luxembourg)
[illegible]

GT Global
(44) 171 710 4567 London (852) 2842 7200 Hong Kong

	Init Charge	Notes	Selling Price	Buying Price	+ or -	Yield Gr's
GT Europe A			$77.98	82.08	-0.31	0.14
GT Europe 4			148.38	50.92	-0.10	0.13
GT Europe B			$78.24		-0.27	0.16
GT Europe B			148.54		-0.17	0.16
GT Investment A			$37.06	39.01	-0.31	1.19
GT Investment A			$22.88	24.20	-0.19	1.18
GT Investment B			$37.18		-0.30	1.22
GT Investment B			$23.07		-0.18	1.22
GT US Small Cos A			$40.88	43.03	+0.22	0.00
GT US Small Cos A			$25.38	26.70	+0.14	0.00
GT US Small Cos B			$41.00		+0.24	-
GT US Small Cos B			$25.48		+0.15	0.00

HSBC Investment Funds Luxembourg SA (u)
7 rue du Marche-aux-Herbes L-1728 Luxembourg
Dealing 00 352 4762 1220 Fax 475689

HSBC Global Investment Funds

International and Regional Funds

	Init Charge	Notes	Selling Price	Buying Price	+ or -	Yield Gr's
Asean Equity			$26.55	28.00	-0.89	-
International Emerging Mkts			$9.79	10.34	-0.38	-
International Managed Equity			$18.21	19.22	-0.29	-
North American Equity			$20.35	21.43	-0.01	0.00
Pan-European Equity			$17.87	18.86	-0.33	-
Market Specific						
Chinese Equity			$35.68	37.66	-2.07	-
Hong Kong Equity			$71.04	74.98	-4.30	-
Indian Equity F			$10.19	10.72	+0.19	-
Japanese Equity			$11.49	12.13	-0.32	-
Malaysian Equity			$10.05	21.08	-0.13	-
Singaporean Equity			$23.05	24.33	-0.96	-
Bond and Reserve Funds						
International Managed Bond			$11.92	12.58	-0.00	-
Sterling Bond			£5.09	5.38	-	-
US Dollar Bond			$7.96	10.52	-0.01	-
US Dollar Reserve			$8.30	8.70	-	-

Henderson Management SA (u)
60 rte de Treves, L-2633 Senningerberg, Lux
0171-638 5757 or 00-352 346622

Henderson Horizon Fund

	Init Charge	Notes	Selling Price	Buying Price	+ or -	Yield Gr's
UK Smaller Cos			$13.15		+0.11	-
European			$11.98		-0.14	-
European Smaller Cos			DM19.00		-0.08	-
American Smaller Cos			$13.12		+0.04	-
Japanese			$9.32		-0.16	-
Japanese Smaller Cos			$23.23		-0.50	-
Global Emerging Mkts			$18.72		-0.51	-
Pacific			$31.53		-1.23	-
Sterling Bond			$17.86		+0.00	6.51
Global Bond			$2.17		-	1.30
Global Technology			$15.56		+0.02	-

Nikko Global Umbrella Fund
16 Bld Royal, L-2449 Luxembourg 00 44 [illegible]

	Init Charge	Notes	Selling Price	Buying Price	+ or -	Yield Gr's
Japan Ret Fgn YEN			Y763	789		
Japan Ret Fgn USD			$6.46	6.33		
Japan Ret Fgn Gtg			14.02	4.05		
JASDAQ A			Y680	694		
JASDAQ B			$7.39	7.44		
Asia Conv Bond			$9.28			
Asia-Pacific			$15.48	15.00		
Hong Kong			$48.22	46.20		
Indonesia			$8.25	8.43		
Malaysia			$7.87	8.03		
Oceania			$16.62	16.90		
Philippines			$9.92	10.14		
Singapore			$3.59	3.79		
Thailand			$6.65	6.70		

Nomura Global Fund (u)
1 St Martins-le-Grand, EC1A 4NP 0[illegible]

	Init Charge	Notes	Selling Price	Buying Price	+ or -	Yield Gr's
Asia Pacific Ptcuo			$8.53			

PRICOA Worldwide Inv Portfolio Sicav (u)
47 Boulevard Royal, L-2449, Lux 00 [illegible]

	Init Charge	Notes	Selling Price	Buying Price	+ or -	Yield Gr's
European Growth A			$15.00			
European Growth B			$15.60			
Pacific Growth A			$15.59			
Pacific Growth B			$15.58			
Global Bond A			$10.03			
Global Bond B			$10.03			
US Growth A			$28.58			
US Growth B			$28.55			
US High Yield A			$10.22			
US High Yield B			$10.22			
US Emerging Growth A			$11.48			
US Emerging Growth B			$11.46			

Proton Asset Management S.A.
5 rue Jean Monnet L-2180 Lux 00 3[illegible]

Proton Fund (u)

	Init Charge	Notes	Selling Price	Buying Price	+ or -	Yield Gr's
ECU Cash			Ecu7129.99			
USD Cash			$6211.18			
Swiss Franc Cash			SFr5377.45			
Pound Sterling Cash			£1010.57			
Intl Bond ECU			Ecu6571.84			
Intl Bond USD			$6513.66			

Rothschild Asset Management
18 Blvd E Servais, L-2535, Lux 00 352 [illegible]
Domiciled at 6 01 G Edmond de Rothschild (Luxembourg)

Five Arrows Global Funds (u)

	Init Charge	Notes	Selling Price	Buying Price	+ or -	Yield Gr's
Japan Recovery			$9.9758			
Asian Opportunities			$16.4786			
Japan Small Cos			$5.0311			
Asian Smaller Cos			$6.2364			
Latin American Opportunities			$10.5555			

[illegible]

LUXEMBOURG (REGULATED)(**)

ACM Offshore Funds

[illegible]

OFFSHORE INSURANCES

[illegible]

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● MANAGED FUNDS NOTES

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

[illegible]

BANKS, RETAIL

[illegible]

BREWERIES, PUBS & REST

[illegible]

BUILDING & CONSTRUCTION

[illegible]

BUILDING MATS. & MERCHANTS

[illegible]

CHEMICALS

[illegible]

CHEMICALS - Cont.

[illegible]

DISTRIBUTORS

[illegible]

DIVERSIFIED INDUSTRIALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONIC & ELECTRICAL EQPT

[illegible]

ENGINEERING

[illegible]

ENGINEERING - Cont.

[illegible]

ENGINEERING, VEHICLES

[illegible]

EXTRACTIVE INDUSTRIES

[illegible]

EXTRACTIVE INDUSTRIES - Cont.

[illegible]

FOOD PRODUCERS

[illegible]

GAS DISTRIBUTION

[illegible]

HEALTH CARE

[illegible]

HEALTH CARE - Cont.

[illegible]

HOUSEHOLD GOODS

[illegible]

INSURANCE

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

INV TRUSTS SPLIT CAPITAL

[illegible]

LONDON SHARE SERVICE

OTHER INVESTMENT TRUSTS

INVESTMENT COMPANIES

LEISURE & HOTELS

LIFE ASSURANCE

MEDIA

MEDIA - Cont.

OIL EXPLORATION & PRODUCTION

OIL, INTEGRATED

OTHER FINANCIAL

PAPER, PACKAGING & PRINTING

PHARMACEUTICALS

PROPERTY

PROPERTY - Cont.

RETAILERS, FOOD

RETAILERS, GENERAL

RETAILERS, GENERAL - Cont.

SUPPORT SERVICES

SUPPORT SERVICES - Cont.

TELECOMMUNICATIONS

TEXTILES & APPAREL

TOBACCO

TRANSPORT

WATER

AIM

AIM - Cont.

AMERICANS

CANADIANS

SOUTH AFRICANS

	Notes	Price	+ or -	52 week high	52 week low	Mkt CapEm	Yld Gr's	P/E
Anglo Am Ind R		£27½	—	*£27½	£20¼	2,091	2.7	Φ
Barlow	‡†	£7½	-⅛	£8½	£5¼	1,479	2.0	15.3
Gold Flds Prop R	†	145	+3	197	122	14.8	5.9	11.3
SA Brews		£18¾	+⅛	£20½	£13⅝	5,408	2.1	Φ
Standard Bank		£28½	-¼	£30	£21	3,243	2.0	Φ
Tiger Oats	†	910	-30	1160	790	1,375	2.0	17.7
Tongaat-Hulett		763½	+4½	788½	678¼	741.2	2.5	Φ

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service are delivered by Extel, part of Financial Times Information.

Company classifications are based on those used for the FTSE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid-prices over a rolling 52 week period.

Where stocks are denominated in currencies other than sterling, this is indicated after the name. Prices shown for some of these foreign securities are converted into sterling from latest available local Stock Exchange prices.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Earnings used in calculations are based on IIMR 'Headline Earnings' formula.

Price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures.

Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- • Highs and lows marked thus have been adjusted to allow for capital changes
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- Φ Figures or report awaited
- ♥ Rule 2.1(a)(v) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- ‡‡ Rule 4.2(a) Irish incorporated non-listed companies.
- # Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend. b Figures based on prospectus or other official estimates. g Assumed dividend yield after rights issue. h Assumed dividend yield after scrip issue. n Rights issue pending. q Earnings based on preliminary figures. s Dividend yield excludes a special payment. t Indicated dividend yield, p/e ratio based on latest annual earnings. u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings. v Dividend yield includes a special payment.

F Yield based on prospectus or other official estimates for 1996-97. G Assumed yield after pending scrip and/or rights issue. H Yield based on prospectus or other official estimates for 1997. S Yield based on prospectus or other official estimates for 1996. L Estimated annualised yield, p/e based on latest annual earnings. M Yield based on prospectus or other official estimates for 1997-98. $ Dividend is paid in whole or part as a

FID (Foreign Income Dividend). S Forecast annualised yield, p/e based on prospectus or other official estimates. W Pro forma figures. Z Dividend yield to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xc ex capital distribution.

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LONDON STOCK EXCHANGE

Rate rise relief sees Footsie up 1.1 per cent

MARKET REPORT

By Steve Thompson, UK Stock Market Editor

London stocks shrugged off an early bout of jitters, triggered by last Friday's slide on Wall Street and a fresh sell-off on Asian markets yesterday, preferring to focus on weaker-than-expected domestic economic news and good gains in other European markets.

Consequently, the FTSE 100 index recouped all and more of last Friday's 27.9 point loss, finishing the session 34.5 higher at 4,852.0. Buying interest in the leaders did not, however, filter down into the second liners and small cap stocks, which struggled throughout the session.

The FTSE 250 index, with a big representation of housebuilders, which performed well yesterday after buoyant results from Persimmon, finished the day 6.8 ahead at 4,610.2. But the FTSE SmallCap index never managed to overcome its initial weakness, and eventually settled with a 1.5 loss at 2,241.6.

But there was no disguising the thinness of trading in the market yesterday, with already low turnover made even worse by the absence of any lead from the US, whose markets were closed for the Labor Day holiday.

"It was almost unreal in the market today," said one senior marketmaker. He said that markets were hit hard at the start because of the S per cent fall in the Hong Kong stock market.

At its lowest ebb yesterday, shortly after the close of far eastern markets, the FTSE 100 index was down 22.2 at 4,795.3.

But after an initial markdown of share prices by marketmakers, he said, there was very little genuine business being transacted.

The mood of the market was transformed, however, by the day's economic news which included provisional M0 money supply details for August and final July M4 money supply numbers as well as July consumer credit figures, all of which were viewed as reducing the need for a rise in UK interest rates.

July's consumer credit figure was £507m, against a consensus forecast of £1bn-plus, while M0 money supply rose 0.2 per cent in August, against most forecasts of slightly higher than that.

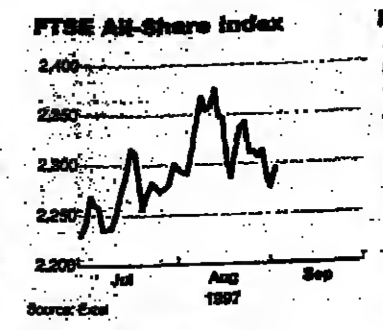
The Purchasing Managers' Report for August, showing its index down to 51.3 from a revised 53.0 for July, indicated that sterling's strength is tending to choke off overseas demand for UK goods.

Worries about possible increases in UK, US and German interest rates have been partly responsible for unsettling global markets recently, along with the problems in the Far East.

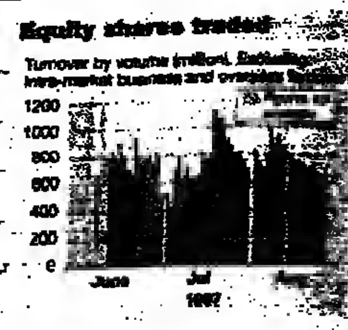
At the 6pm cut-off point, turnover in UK equities totalled a miserable 492m shares, one of the lowest daily figures this year. Dealers said they expected activity to pick up substantially this week as the peak summer holiday period comes to an end.

Oil shares featured prominently in the market's advance, led by Lasmo which responded to more exploration success. Of the stocks closely linked to Asian markets, Standard Chartered, Footsie's worst performer last week, rallied after analysts said the stock was oversold.

FTSE All-Share Index



Equity shares traded



Indices and ratios

FTSE 100	4870.2	+52.7
FTSE 250	4610.2	+6.8
FTSE 350	2349.1	+21.3
FTSE All-Share	2296.00	+19.28
FTSE All-Share yield	3.34	3.45
FT 30	3124.1	+22.1
FTSE Non-Fins p/e	19.69	19.57
FTSE 100 Fut Sep	5020.0	-96.0
10 yr Gilt yield	7.15	7.12
Long gilt/equity yld ratio	2.15	2.28

Best performing sectors

1. Pharmaceuticals .... +2.0
2. Oil: Integrated .... +2.0
3. Mineral Extraction .... +1.7
4. Electronic & Elect .... +1.7
5. Insurance .... +1.4

Worst performing sectors

1. Gas Distribution .... -0.7
2. Extractive Inds .... -0.3
3. Distributors .... -0.3
4. Investment Trusts .... -0.3
5. Other Financial .... -0.2

Oil find boosts Lasmo

By Joel Kibazo and Martin Brice

A positive drilling report helped lift oil explorer Lasmo 7¼ to 266¼p in light trade of 2.3m.

The company published highly encouraging test results from the Rhourde Oulad Djemaa-1 (ROD-1) well in the Ghadames Basin in Algeria, in which it holds a 13.75 per cent working interest.

Although the news was a factor in helping drive several other issues in the sector sharply ahead, Credit Lyonnais Laing sounded a note of caution.

The broker said it is "neutral" on the stock and Jurjen Lunshof, oils analyst at Credit Lyonnais, believes the news from Algeria is already in the current share price. He said: "Our principal concern is Lasmo's new venture in Venezuela which we think the company paid a high price for."

Persimmon chalked up the largest rise in the FTSE 250 as it rose 9 to 240¼p after it unveiled interim pre-tax profits more than doubled to £23.3m and made a bullish trading statement.

The positive sentiment in the stock spread to other housebuilders when Persimmon said the housing market recovery in the south east of England would spread gradually to other parts of the country.

The strong results prompted numerous broker upgrades, with Kevin Cammack at Merrill Lynch shifting his full-year forecast for Persimmon from £50m to £51m, and earnings per share from 21.2p to 22p. Howard Proctor at SocGen has moved from £46m to £52m, and told clients: "Persimmon will be one of the biggest beneficiaries in what will be a golden year for the UK housing industry." But he has warned that its shares will be dull performers, due to rising costs and increasing debt. Gearing could reach 30 per cent, he says, "levels which in the past have encouraged a cash call on shareholders".

Among others exposed to the housing market, Hanson, the building materials company, advanced 10 to 306p. Taylor Woodrow gained 6¼ to 192½p; Bryant Group put on 2 to 129½p; Bellway advanced 4½ to 359½p.

Standard rallies

The bank sector, unlike other areas of the stock market, continued to attract keen interest among the institutions. The sell-off in Standard Chartered, the worst performer across the market last week, ran out of steam and was replaced by some strong buying interest triggered by NatWest Securities.

The broker's banking team said concerns about currency translation losses, slower growth and higher bad debts "are overdone" and said the 15 per cent fall in the shares over the past two sessions provides a "buying opportunity".

HSBC, on the other hand, continued to retreat, with the UK-registered stock slipping a further 10 to £19.10 and the Hong Kong-registered stock dipping 6 to £18.28½.

Bank of Scotland was said to have been boosted by a broker upgrade and moved up 7½ to 423½p. Lloyds TSB ran up 15½ to 738½p.

Schroders, the merchant bank, fell 17½ to £18.75. Dealers said the shares had risen strongly in recent weeks, anticipating excellent interim figures due for release on Friday.

Takeover speculation continued to rumble around the life assurance area of the market, and was again evident in Prudential, up 9¼ at 618½p. Legal & General, 7½ firmer at 460p and Norwich Union, 3½ to the good at 344¼p.

There was a firm market for GEC stock, which put on 12 to 393¼p in volume of 5m, on the back of a weekend press report that Roger Hurn, chairman of Smiths Industries, was likely to become chairman next year.

Plasmon, the optical storage products maker, advanced 3 to 45¼p after it announced a reconstruction plan.

Racal rose 7 to 232p after it said it had won contracts for its defence electronics business worth about £100m, which took its current order book to more than £500m, an increase of 20 per cent over the past six months.

Retailers put in a strong performance after concerns over interest rate rises were calmed by a benign purchasing managers' survey.

Dixons gained 11½ to 662½p, while Kingfisher added 14 to 739p. Marks and Spencer rose 14 to 599½p and Storehouse advanced 3½ to 231½p, although volumes were low, in keeping with the rest of the market.

Perkins Foods advanced 5 to a four-year high of 98p after it unveiled interim results that showed it beat the effect of strong sterling to achieve a 27 per cent rise in pre-tax profits. It said it planned to buy back £1m of shares.

United News and Media was prominent among the FTSE 100 leaders with a 25 advance to 704½p after it said it had paid £80m for a US magazine and trade show business, in a deal that should be earnings-enhancing next year.

United also said it would book a £57m profit in the second half on the sale of its stake in Yorkshire Tyne-Tees TV.

Bunzl ran into profit-taking that saw the stock move against the market trend. The shares surrendered 2 to close at 233¼p after it unveiled strong results.

The oil sector was further boosted by news of favourable results from Burmah Castrol. A rise in profits to £75m was well ahead of market expectations of flat profits, despite a £21m loss on translation of profits into sterling. The shares put on 20½ to £10.50p.

Analysts at SGST rate the stock highly and yesterday upgraded their recommendation from "undervalued" to "buy". The broker also raised its full year profits estimate by around £17m to a pre-exceptionals figure of £153.6m.

Irene Himona at SGST said: "The 6-month bear market in this stock must be close to an end. We have seen the worst and the worst is pretty good with the company having delivered figures ahead of expectations. Burmah is one of the cheapest stocks in the sector."

It was news of an investment in India that boosted Shell, the shares gaining 9½ to 426½p.

The company said it has proposed an investment of about $2bn in India for the development of a power project and a liquefied natural gas terminal at Hazira in Gujarat. The development marks Shell's entry in Indian gas-to-power projects.

In the rest of the sector, BP was also in demand and the shares appreciated 15 to 677½p in trade of 4.2m, while Enterprise Oil rose 9 to 698½p.

FT 30 INDEX

	Sep 1	Aug 29	Aug 28	Aug 27	Aug 26	Yr ago	*High	*Low
FT 30	3124.1	3102.0	3117.5	3146.5	3129.0	2797.3	3222.3	2668.8
Ord. div. yield	3.62	3.66	3.63	3.60	3.84	4.06	4.22	3.39
P/E ratio net	20.29	20.10	20.26	20.44	17.81	18.96	20.44	15.80
P/E ratio nil	20.02	18.83	19.96	20.16	17.73	18.80	20.16	15.71

FT 30 since compilation: high 3226.5 12/08/97; low 49.4 26/06/40. Base Date: 1/7/35.

FT 30 hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
3101.8	3098.5	3112.6	3110.5	3112.2	3114.6	3114.2	3115.0	3125.3	3128.1	3096.0

	Sep 1	Aug 29	Aug 28	Aug 27	Aug 26	Yr ago
SEAQ bargains	40,521	39,455	40,052	39,082	40,113	36,751
Equity turnover (£m)†	-	2757.0	2487.7	2252.4	2234.6	2240.8
Equity bargains†	-	40,204	37,178	37,822	40,793	40,071
Shares traded (ml)†	-	745.7	714.8	864.0	674.8	682.7

†Excluding intra-market and overseas turnover but including Crest turnover.

■ London market data

Rises and falls*		52 Week highs and lows		LIFFE Equity options	
Total Rises	716	Total Highs	31	Total contracts	37,896
Total Falls	680	Total Lows	102	Calls	18,896
Same	1,679			Puts	19,000

Sep 1 *Data based on Equity shares listed on the London Share Service.

FUTURES AND OPTIONS

■ FTSE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	4827.0	4900.0	+76.0	4921.0	4792.0	6138	[illegible]
Dec	4874.0	4960.0	+75.0	4962.0	4855.0	1620	[illegible]
Mar		5002.0	+75.0			0	1810

■ FTSE 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep		4847.0	+7.0			0	5863
Dec		4708.0	+7.0			0	2290

■ FTSE 100 INDEX OPTION (LIFFE) (*4872) £10 per full index point

Calls 6,161 Puts 4,317

■ FTSE 250 INDEX OPTION (LIFFE) £10 per full index point

■ EURO STYLE FTSE 100 INDEX OPTION (LIFFE) £10 per full index point

Calls 9,025 Puts 6,847 * Underlying index value. Premiums shown are based on settlement prices. † Long dated expiry months.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1997 High	1997 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
§	F.P.	-	415	398	Antofagasta Uts	402½		-	-	-	-
-	F.P.	85.2	109¾	101	Bristol & W Prf	108½	+¼	-	-	-	-
§100	F.P.	28.9	145	109½	Cammell Laird	138		L1.8	2.1	3.5	13.1
	F.P.	-	116	114	EMI 8	115		22.75	-	3.1	-
*	F.P.	9.82	117½	117½	Fairfield Ents	117½		W2.0	7.9	2.1	7.4
§-	F.P.	7.24	65	55	†GR Holdings	55		-	-	-	43.6
§150	F.P.	291.6	240½	182½	Galen Hldgs	240½	+1	L0.9	5.1	0.5	38.1
§125	F.P.	5.43	135	92½	†Helicon Publsg	92½	-4	-	-	-	-
§	F.P.	505.2	395½	330	Ionica	337	-3	-	-	-	-
§160	F.P.	17.0	175½	172½	†Kingfisher Lsle	175½		LW2.0	6.0	1.4	14.5
§80	F.P.	4.12	98	92½	†Landround	92½		3.3	1.7	4.5	16.3
100	F.P.	32.5	112½	89½	Reabourne Merlin	109		-	-	-	-
§100	F.P.	7.85	120½	105½	†SBS Group	110½		L2.4	2.0	2.7	19.4
-	F.P.	-	38½	30	Severn Trent 8	33½		-	-	-	-
-	F.P.	-	54½	42½	†Stentor Warrants	49		-	-	-	-
*	F.P.	13.4	85½	77½	†Style Holdings	85		W1.5	4.4	2.2	11.4
	F.P.	-	22¼	19½	Thorn 8	20½		-	-	-	-
-	F.P.	75.6	68½	60	Vigien Tech	62	-1	-	-	-	-

† Alternative Investment Market. § Placing price. * Introduction. For a full explanation of all other symbols please refer to The London Share Service notes.

FTSE GOLD MINES INDEX

	Aug 29	% chg on day	Aug 28	Year ago	Gross div yield %	P/E ratio	52 week High	52 week Low
Gold Mines Index (31)	1411.93	-1.0	1425.80	2049.20	2.05	-	2049.29	1270.14
■ Regional Indices								
Africa (14)	1419.85	-0.8	1432.33	2684.13	5.40	23.52	2695.89	1324.06
Australasia (6)	1505.49	-2.7	1548.58	2382.05	1.67	17.51	2376.36	1336.10
North America (11)	1411.82	-0.7	1422.43	1828.48	0.80	71.71	1839.77	1244.23

 Figures in brackets show number of companies. Basis US Dollars. Base Value: 1000.00 31/12/92. † Partial. Latest prices were unavailable for this edition.

FTSE Actuaries Share Indices — The UK Series

Produced in conjunction with the Faculty and Institute of Actuaries

	Sep 1	Day's chge%	Aug 29	Aug 28	Aug 27	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
FTSE 100	4870.2	+1.1	4817.5	4845.4	4906.9	3884.4	3.40	2.02	18.20	116.23	2090.36
FTSE 250	4610.2	+0.1	4603.4	4821.4	4849.6	4414.0	3.60	1.61	21.57	101.80	1932.47
FTSE 250 ex IT	4631.7	+0.2	4623.5	4636.2	4680.7	4451.8	3.73	1.64	20.42	104.81	1947.28
FTSE 350	2349.1	+0.9	2327.8	2340.5	2367.2	1944.8	3.44	1.94	18.76	55.28	2058.61
FTSE 350 ex IT	2351.1	+0.9	2329.3	2341.6	2368.2	-	3.46	1.95	18.54	23.23	1056.72
FTSE 350 Higher Yield	2271.6	+0.8	2251.6	2259.0	2274.4	1851.0	4.62	1.76	15.38	66.69	1689.97
FTSE 350 Lower Yield	2430.5	+0.9	2408.1	2425.5	2462.2	2045.8	2.46	2.22	22.90	43.73	1740.30
FTSE SmallCap	2241.58	-0.1	2243.13	2247.76	2252.75	2164.50	3.20	1.74	22.41	48.45	1811.29
FTSE SmallCap ex IT	2227.15	....	2227.10	2225.22	2224.94	2158.80	3.44	1.82	19.62	49.78	1915.77
FTSE All-Share	2296.00	+0.8	2276.72	2288.59	2313.32	1922.02	3.42	1.93	16.96	53.58	2041.92
FTSE All-Share ex IT	2298.77	+0.9	2278.63	2289.99	2314.39	-	3.46	1.94	18.61	22.69	1051.62

■ FTSE Actuaries Industry Sectors

	Sep 1	Day's chge%	Aug 29	Aug 28	Aug 27	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(20)	4817.70	+1.7	4738.39	4819.18	4821.37	3676.30	3.22	1.83	20.15	96.75	2182.33
12 Extractive Industries(5)	4088.68	-0.3	4100.87	4193.25	4229.84	4247.90	3.85	2.38	13.82	104.80	1249.17
15 Oil, Integrated(3)	5117.99	+2.0	5016.35	5110.89	5101.72	3762.37	3.33	1.85	20.35	107.40	2363.08
16 Oil Exploration & Prod(12)	3810.59	+1.2	3757.12	3761.24	3803.52	2706.55	1.51	2.26	36.79	38.85	2335.04
20 GEN INDUSTRIALS(263)	2025.23	+0.8	2009.71	2012.41	2029.36	2048.56	3.93	1.77	17.91	49.26	1161.69
21 Building & Construction(35)	1381.32	+0.5	1379.80	1373.85	1378.89	1162.39	3.24	2.01	19.19	26.63	1202.92
22 Building Matls & Merchs(30)	1821.29	+0.5	1812.06	1832.88	1847.33	1922.59	4.42	1.74	18.24	42.64	963.04
23 Chemicals(26)	2621.22	+0.3	2614.04	2642.22	2666.12	2421.74	3.90	1.63	19.71	71.72	1311.07
24 Diversified Industrials(15)	1431.90	+1.3	1413.74	1382.32	1402.66	1548.82	5.09	2.01	12.23	46.48	854.63
25 Electronic & Elect Equip(37)	2183.62	+1.7	2147.81	2140.00	2160.28	2368.42	3.76	1.62	20.46	49.49	1187.70
26 Engineering(56)	2711.96	+0.7	2692.50	2708.41	2732.09	2510.32	3.12	2.36	16.99	52.61	1712.39
27 Engineering, Vehicles(13)	3091.89	+0.9	3065.23	3060.55	3043.03	2122.98	3.29	‡	‡	65.84	1670.40
28 Paper, Pckg & Printing(27)	2137.36	+0.1	2134.37	2140.41	2168.73	2710.66	4.92	1.80	14.09	63.44	936.86
29 Textiles & Apparel(14)	1023.68	-0.1	1024.32	1022.98	1023.90	1254.87	6.84	0.99	18.52	42.81	674.40
30 CONSUMER GOODS(84)	4522.98	+1.2	4468.54	4466.59	4504.98	3649.58	3.38	1.83	20.18	114.51	1756.69
32 Alcoholic Beverages(7)	3198.51	+0.3	3188.35	3238.04	3249.47	2868.37	3.94	1.99	15.97	90.96	1221.27
33 Food Producers(25)	2990.18	+0.5	2975.18	2997.71	3037.20	2526.88	3.68	1.87	18.17	70.14	1417.96
34 Household Goods(17)	3113.24	+0.1	3110.38	3133.74	3162.24	2608.94	3.16	2.47	15.91	54.26	1280.12
36 Health Care(14)	2274.88	......	2274.40	2278.56	2285.17	2022.34	2.51	1.81	29.58	37.42	1428.47
37 Pharmaceuticals(16)	7344.14	+2.0	7199.36	7127.16	7178.82	5496.53	2.54	1.73	28.55	153.36	2594.70
38 Tobacco(3)	4332.12	+0.5	4306.07	4332.87	4393.41	3735.96	6.50	1.81	10.64	225.73	1174.45
40 SERVICES(270)	2726.03	+0.8	2704.57	2715.57	2733.38	2578.02	2.96	1.99	21.24	53.90	1475.24
41 Distributors(30)	2788.34	-0.3	2797.26	2785.24	2812.39	2875.72	3.37	1.93	19.27	56.23	1070.29
42 Leisure & Hotels(31)	3244.98	+0.1	3242.43	3252.64	3263.56	3226.94	2.88	1.98	22.18	70.76	1802.33
43 Media(41)	4062.11	+1.3	4011.82	4022.72	4078.25	4395.18	2.48	1.94	25.99	83.24	1517.69
44 Retailers, Food(15)	2397.82	+1.1	2372.16	2391.82	2409.74	1992.38	3.48	2.26	15.95	53.61	1801.53
45 Retailers, General(53)	2238.95	+1.1	2214.15	2229.64	2244.08	2147.34	3.18	2.08	18.02	45.88	1336.88
47 Breweries, Pubs & Rest.(22)	3340.46	+0.3	3329.42	3328.21	3327.37	3168.47	3.39	2.29	18.11	62.74	1670.78
48 Support Services(55)	3114.90	+0.5	3098.18	3105.27	3094.20	2471.62	1.68	2.59	26.68	30.53	2031.83
49 Transport(23)	2879.13	+0.5	2865.03	2878.68	2900.37	2405.93	3.48	1.23	29.08	62.44	1258.23
60 UTILITIES(31)	3090.11	+0.1	3085.78	3071.44	3091.20	2348.28	4.88	1.45	18.54	76.08	1438.92
62 Electricity(9)	3503.99	+0.8	3475.85	3468.77	3470.98	2398.26	5.07	2.01	12.27	111.29	1990.97
64 Gas Distribution(2)	2397.18	-0.7	2414.02	2382.05	2370.28	1380.28	5.09	‡	‡	54.50	1357.30
66 Telecommunications(6)	2341.59	......	2342.70	2333.72	2366.45	1987.33	3.84	1.55	20.45	44.69	1126.68
68 Water(12)	2892.96	+0.3	2885.40	2873.57	2884.90	2241.25	5.74	2.27	9.61	90.96	1732.33
69 NON-FINANCIALS(668)	2320.96	+0.9	2299.69	2308.93	2321.93	2028.72	3.52	1.90	18.75	52.32	1862.46
70 FINANCIALS(106)	4476.54	+0.9	4441.99	4490.28	4597.58	3097.96	3.27	2.43	15.73	120.32	2034.71
71 Banks, Retail(10)	6858.78	+0.7	6806.34	6886.65	7130.29	4399.43	3.05	2.54	16.12	183.00	2365.17
73 Insurance(16)	1819.87	+1.4	1793.08	1826.75	1830.85	1494.31	4.77	2.90	9.05	75.35	1470.34
74 Life Assurance(7)	4994.03	+1.4	4925.13	4907.39	4904.32	3476.47	3.44	2.32	15.66	121.00	2181.42
77 Other Financial(27)	3327.20	-0.2	3333.10	3344.13	3368.77	2620.15	3.20	1.99	19.64	70.61	1988.25
79 Property(43)	1976.54	-0.5	1986.06	1994.15	1995.48	1644.86	3.31	1.23	28.35	36.40	1273.95
80 INVESTMENT TRUSTS(127)	3373.96	-0.2	3384.49	3430.39	3479.02	3177.78	2.26	1.17	47.68	48.78	1212.61
89 FTSE All-Share(896)	2296.00	+0.8	2276.72	2288.59	2313.32	1922.02	3.42	1.93	16.96	53.58	2041.92
105 FTSE All-Share ex IT(771)	2298.77	+0.9	2278.63	2289.99	2314.39	-	3.46	1.94	18.61	22.69	1051.62
FTSE Fledgling	1248.25	-0.2	1250.27	1252.01	1253.83	1240.18	3.25	0.94	40.87	27.11	1356.32
FTSE Fledgling ex IT	1258.45	-0.1	1257.09	1253.04	1264.34	1254.28	3.50	0.93	37.31	27.81	1367.84
FTSE AIM	1022.2	....	1022.3	1024.8	1028.1	-	1.03	0.60	80.00†	4.81	938.00

■ Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FTSE 100	4816.8	4817.6	4829.5	4836.2	4842.5	4845.4	4851.5	4851.1	4872.2	4872.7	4796.3
FTSE 250	4602.4	4601.2	4603.6	4606.2	4605.4	4607.0	4607.5	4606.3	4610.2	4610.4	4600.5
FTSE 350	2327.4	2320.0	2335.5	2335.4	2337.9	2341.6	2341.5	2341.4	2348.8	2350.0	2319.0
FTSE SmallCap	2241.00	2240.18	2239.76	2240.18	2241.08	2241.24	2241.34	2241.61	2241.50	2241.66	2239.56
FTSE All-Share	2278.20	2269.23	2284.37	2283.44	2285.84	2289.18	2289.06	2289.04	2296.72	2296.80	2269.02

Further information is available on http://www.ftse.com

‡ Sector P/E ratios greater than 80 are not shown. † Values are negative.

FTSE INTERNATIONAL

TRADING VOLUME

■ Major Stocks Yesterday

Vol. 000s | Closing price | Day's change

Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

EUROPE

PACIFIC

AFRICA

NORTH AMERICA

INDICES

US INDICES

Dow Jones	Aug 29	Aug 28	Aug 27	1997 High	1997 Low	Since compilation High	Since compilation Low
Industrials	7622.42	7694.43	7787.33	8259.31 (6/8)	6391.05 (11/4)	8259.31 (6/8/97)	41.22 (8/7/32)
Home Bonds	103.86	103.77	103.73	104.70 (31/7)	101.89 (14/4)	104.70 (31/7/97)	54.99 (1/10/81)
Transport	2870.17	2876.88	2901.83	3009.25 (6/8)	2222.07 (2/1)	3009.25 (6/8/97)	13.23 (8/7/32)
Utilities	231.77	231.96	233.35	240.85 (22/1)	209.47 (25/4)	256.46 (31/8/93)	16.53 (8/7/32)

DJ Ind. Day's high 7729.70 (7831.70) Low 7580.85 (7634.50) (Theoretical¶)
Day's high 7710.45 (7812.42) Low 7606.86 (7658.19) (Actual¶)

Standard and Poors	Aug 29	Aug 28	Aug 27	1997 High	1997 Low	Since compilation High	Since compilation Low
Composite‡	899.47	903.67	913.70	960.32 (6/8)	737.01 (2/1)	960.32 (6/8/97)	4.40 (1/6/32)
Industrials¥	1057.33	1062.67	1075.39	1130.76 (6/8)	865.42 (11/4)	1130.76 (6/8/97)	3.52 (30/6/32)
Financial	103.41	103.71	104.57	111.88 (31/7)	80.75 (2/1)	111.88 (31/7/97)	7.13 (4/9/74)
NYSE Comp.	470.48	472.36	476.05	497.00 (6/8)	389.47 (11/4)	497.80 (6/8/97)	4.64 (25/4/42)
Amex Comp.	650.16	650.89	651.12	654.06 (8/8)	541.20 (28/4)	654.06 (6/8/97)	524.20 (16/7/96)
NASDAQ Cmp	1587.32	1581.31	1595.54	1630.44 (6/8)	1201.00 (2/4)	1630.44 (6/8/97)	54.87 (3/10/74)

■ RATIOS

	Aug 29	Aug 22	Aug 15	Year ago
Dow Jones Ind. Div. Yield	1.71	1.66	1.69	2.25
	Aug 27	Aug 20	Aug 13	Year ago
S & P Ind. Div. yield	1.54	1.50	1.53	2.02
S & P Ind. P/E ratio	24.76	25.45†	25.27	21.77

■ NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Close price	Change on day
Compaq	7,365,400	65½	+1½
Nationsbank	7,255,300	59½	−3¾
CocaCola	4,895,600	57⅛	−⅛
Gen Elec	4,847,400	62⅛	+⅛
Barnett Bks	4,682,000	67⅝	+13¼
Telefonos	4,641,000	45¾	−3
Ethyl Corp	4,058,200	9	—
Tel Brasil	3,825,700	117¼	−7⅛
IBM	3,753,000	100⅜	−⅛
McDonalds	3,404,400	47¼	+¾

■ TRADING ACTIVITY

● Volume (million)

	Aug 29	Aug 28	Aug 27
New York SE	406.875	486.217	492.093
Amex	16.761	20.871	26.515
NASDAQ	505.178	674.122	644.393
NYSE			
Issues Traded	3,357	3,336	3,362
Rises	1,313	1,318	1,636
Falls	1,486	1,480	1,171
Unchanged	558	538	555
New Highs	156	158	150
New Lows	35	24	21

	Open	Sett price	Change	High	Low	Est. vol.	Open Int.
■ S&P 500							
Sep	899.90	903.10	+3.30	909.75	896.00	72,921	177,855
Dec	911.00	912.80	+3.35	919.50	905.60	6,827	24,434
■ Nikkei 225							
Sep	18200.0	17860.0	−320.0	18250.0	17860.0	24,758	154,280
Dec	18240.0	17860.0	−320.0	18240.0	17850.0	9,207	61,122

Open Interest figures for previous day.

‡ Industrial, plus Utilities, Financial and Transportation. ● Excluding bonds. ¶ The DJ Ind. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ¥ Subject to official recalculation.

INDEX FUTURES

TORONTO (Aug 29 / Can $)
Closed Sept 1

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. * Calendar year high and low. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. † Priced in US $.

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■ TOKYO - MOST ACTIVE STOCKS: Monday, September 1, 1997

	Stocks Traded	Closing Prices	Change on day
Fujitsu	10.3m	1350	-90
Shiseido	9.2m	1870	-100
NEC Corp	8.0m	1290	-60
Hitachi	7.3m	1030	-80
Sakura Bank	6.7m	686	-24
Kaneka Corp	5.2m	744	-4
Kobe Steel	5.2m	157	-8
Canon Inc	4.3m	3320	-10
Sharp Corp	4.2m	1140	-70
Toshiba Corp	3.9m	653	-13

Hong Kong extends slump to 13.6%

ASIA PACIFIC

Currency and interest rate worries sent **HONG KONG** tumbling another 5 per cent, extending its decline to 13.6 per cent over three trading sessions.

The Hang Seng index closed 709.60 lower at 13,425.65, the sixth largest point decline in the market's 31-year history. Turnover was heavy at HK$34.9bn but substantially below Friday's record HK$46bn.

Overnigbt interest rates fell from 6.5 per cent to 6 per cent, much lower than levels seen in the previous two weeks. However, investors were said to remain cautious about the near-term outlook, fearing volatility in regional markets could again test Hong Kong.

HSBC was the most actively traded stock, falling HK$13 to HK$223, whicb accounted for 172.08 points or 24.3 per cent of the market's fall. Trade in the share soared to HK$2.8bn.

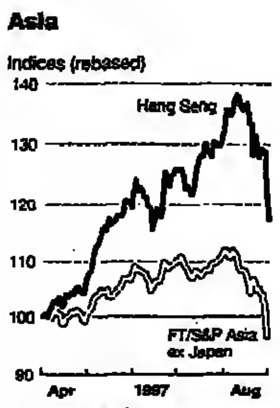
In subsequent London trade an indicative index recouped 2.3%.

TOKYO continued its slide as investors remained anxious about Japan's apparently weakening economy, the yen's sharp deterioration against the dollar and turbulence elsewhere in Asia, *writes Paul Abrahams*.

The Nikkei 225 average failed to hang on to gains made late on Friday, closing below the 18,000 barrier for the first time since April 15. It fell 255.12 or 1.4 per cent to 17,974.

The sell-off was broadly based. Only 23 per cent of stocks in tha index advanced compared with 61 per cent which declined. The broader Topix index also fell, down 1.8 per cent to 1,402. The capital-weighted Nikkei 300 index closed down, falling 2 per cent to 273. Volume was light at 329m shares compared with 392m on Friday. In London the ISE/Nikkei-50 index rose 2.95 to 1,534.33.

High technology and electronics groups which normally benefit from a weak yen were among the biggest losers as foreign investors



continued to sell on concerns about currency losses on Japanese holdings. Fujitsu was the most beavily traded stock, declining Y90 to Y1,350 on turnover of more than 10m shares. Other fallers among electronics companies included Hitachi, down Y80 to Y1,030, NEC down Y60 to Y1,290 and Sharp down Y70 to Y1,140.

Automotive groups were also under pressure after the Japan Automobile Dealers' Association reported year-on-year domestic car sales had fallen 10.3 per cent in August, the fifth month they

Wall Street and Canadian markets were closed for Labor Day

had declined. Toyota fell Y70 to Y3,080, Nissan Y46 to Y732, Honda Y80 to Y3,640 and Suzuki Y80 to Y1,060.

Among the broking companies, Yamaichi was particularly beavily hit, down Y11 to Y225.

Oil stocks fell following the announcement of job losses at Mobil Sekiyu. The Japanese subsidiary of Mobil of the US blamed tha cuts on increasingly difficult competition following the sector's deregulation. Nippon Oil fell Y42 to Y497 while Mitsubishi Oil closed down Y28 at Y392.

In Osaka, the OSE index of 250 stocks fell 287 points to 18,929. Volume was thin at 31.48m shares traded.

SEOUL took another tumble as foreign selling and high margin loans combined to send stocks to a seventh consecutive lower close. The composite index shed 13.17 or 1.9 per cent to 682.20, extending losses since August 23 to 8.8 per cent.

Analysts said that news of a sharp drop in the August trade deficit sparked a brief rebound in the morning, but concerns about continuing foreign selling far outweighed the news. Against the trend, the troubled Kia Group's affiliates recouped some losses on hopes for progress in its negotiations with creditor banks.

The group's flagship Kia Motors ended up Won600 at Won12,100, Asia Motors rose Won290 to Won4,500 and Kisan Won220 to Won3,020.

MANILA slumped to new four-year lows as rising interest rates cast a pall over the market. The composite index ended below the 2,000 level, shedding 46.24 or 2.3 per cent to 1,975.28 after a volatile session. It was the seventh consecutive fall.

The index had been up by more than 1 per cent at one stage in early trade as the market tried to correct from recent heavy selling.

Tbe central bank took liquidity out of the money market, pushing up some interest rates and reversing the stock exchange's rally.

The financial index lost 5.6 per cent and the property index was down 5.2 per cent.

JAKARTA failed to benefit from the central bank's move to curb speculation in the rupiah. The composite index closed down 7.99 at 485.97.

TAIPEI succumbed to fears that it would become the next victim of tbe regional sell-off. Foreign funds facing redemption pressure chose to take profits in Taiwan, as it had so far escaped the severe sell-offs of neighbouring markets. The weighted index closed down 2.6 per cent, or 251.48, at 9,504.99.

BANGKOK fell again as the baht's troubles continued, closing lower for the 13th consecntive day. The SET index dropped 8.39 to 493.84. Turnover was light with shares worth Bt2.66bn changing hands.

Greece embraces share ownership

Stocks have soared as anxiety on privatisation has been overcome, says **Kerin Hope**

Popular capitalism has taken off in Greece, pushing the Athens stock market to record highs early this summer as the socialist government launched the sale of a second equity tranche in OTE, the state telecommunications operator.

It has taken several years for the socialists to overcome ideological anxieties about privatisation. Even now the government refuses to sell more than 25 per cent of any state-controlled corporation. But the need to raise revenue has become more urgent as Greece tries to reduce the budget deficit and reach the Maastricht targets for joining tbe proposed single currency.

OTE's secondary offering of 12 per cent of its equity raised Dr320bn for tbe finance ministry, with the domestic tranche subscribed two and a half times. Banks offered loans for small investors to buy shares and the company's 22,000 employees received shares at a discount with payment on easy terms.

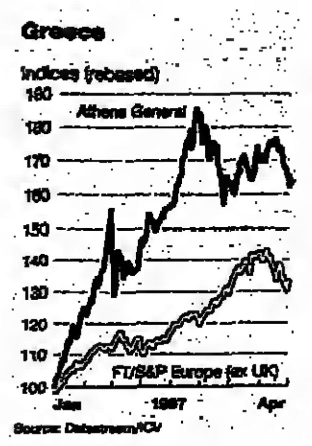
Following an 8 per cent initial offering last year, 20 per cent of the state telecoms operator is now publicly owned and there is talk of lifting tbe ceiling on equity disposals for utilities.

Domestic investors triggered the stock market rally by switching funds from government bonds to stocks after a sharp fall in interest rates at the start of the year. Cuts in administered rates on treasury bills came just as the finance ministry launched a 7.5 per cent tax on interest earnings from government securities, bringing yields below 10 per cent for the first time.

As funds poured into the stock market, average daily trading volume soared from less than Dr7bn to more than Dr18bn. Market capitalisation has reached almost Dr10,000bn, equivalent to 30 per cent of gross domestic product.

Greece was among the best emerging market performers in the first half of the year, with the index hitting a record 1,727 in May. After a correction in June activity has slowed but the index is still buoyant. It closed at 1,529 yesterday, up 63 per cent on the year.

"There's more confidence about Greece'a prospects," says Mariella Porfyratos, head of the Greek desk at Carnegie Emerging Markets.



"Inflation is coming down and a tough budget is expected. The political situation is stable and the Balkan region is more calm."

With growth this year projected at more than 3 per cent and the yearly inflation rate at 5.4 per cent in July, Greece's economic recovery is gaining ground. A push to reach the Maastricht deficit and inflation targets next year is likely to bring tight wage restraints and a crack-down on tax evasion.

Analysts say there is room for selective share price rises, with price earnings ratios at an average 16.8 on 1997 earnings. The government hopes to ride the wave of investor enthusiasm by launching two more big issues over the next six months. First comes a Dr100bn rights issue by state-controlled National Bank of Greece, the biggest Greek bank, in November. It will include an allocation for overseas institutions but, as in the case of OTE, some domestic investors will be offered shares at a discount.

Two private banks, Ergobank and Alpha Credit Bank, have already raised Dr26bn and Dr72bn respectively in capital increases. But these have only served to wbet investor appetites for the NBG rights issoe.

In addition to raising funds for an ambitious plan for acquisitions and network expansion across the Balkans, the issue will rednce the state's shareholding in the bank by including a convertible bond whicb was fully taken up by the finance ministry two years ago.

Because Greece's five big banks are seen as a safe haven by local investors, funds have poured into bank sbares. A Dr4.4bn initial public offering by Xiosbank, a small private bank, was subscribed more than 100 times. So far this year the banks have accounted for about 35 per cent of total trading volume.

A report by Midland Pantelakis Securities says: "Faster than expected earnings growth in the banking sector has more than offset the dilutive effect of rights issues. There is room for further appreciation because bank stocks now look cheaper than industrial stocks."

First half pre-tax profits at NBG were up 94 per cent thanks to a restructuring last year and efforts to hold down increases in operating costs. Other big state banks reported improved first half results based on high returns from trading in government bonds. The private banks also raised profits through increased interest income as lending volume expanded.

The next offering in the government's programme, due at the end of the year, will be the sale of a 10 to 15 per cent stake in DEP, the holding company for state-owned oil refineries and petrol atation chains.

Dollar recovery helps Frankfurt up 2.1%

EUROPE

A late recovery in the dollar helped **FRANKFURT** to pick up 2.1 per cent in late trade and the Ibis-indicated Dax index regained the 4,000-point level, closing 82.02 higher at 4,001.81. Trading activity, like that in other European markets, was restrained in the absence of US leads.

Banks were at the centre of attention, amid speculation of further consolidation in the industry.

Dresdner Bank picked np DM1.60 to DM73.60 after it said it was not involved in talks with specific banks but was watching the US market for opportunities. Commerzbank lost DM1.18 to DM65.52 as Martin Kohlhaussen, chairman, said he saw no sign of a hostile takeover bid for the bank.

PARIS took its cue from the dollar as the market corrected from last week's falls. The CAC 40 was up 35.35 at 2,805.84 in thin volume at 7m shares.

Retailer Promodes was the star performer, rising almost 5 per cent or FFr109 to FFr2,298, after launching takeover bids for rival Casino and its largest shareholder, Rallye. If the bid succeeds, Promodes will vault from number five to number three or two among French retailers. Trade in shares in Casino and Rallye was suspended.

Carrefour was up FFr116 or 3.2 per cent at FFr3,777 and Total was up FFr20 to FFr589. Both companies are reporting results tomorrow.

ZURICH rebounded after last week's losses and the SMI index finished 54.8 higher at 5,271.5, but in very thin volume.

Much of the attention was focused on the chemicals and pharmaceuticals sectors. Clariant, the specialty chemicals producer which suffered badly last week, ended SFr38 higher at SFr1,010. Its rival, Ciba Specialty Chemicals, scheduled to release first-half 1997 earnings data today, gained SFr5.50 to SFr184.00.

Among mostly firmer insurers, Swiss Life lost SFr38 to SFr710 after the chairman was reported as saying that he had no intention of a merger with UBS.

AMSTERDAM got a boost from the stronger dollar but trade was listless as the US holiday put a damper on activity. The AEX added 13.63 to 881.92 after resisting attempts to drag it down again.

Bargain hunters picked up shares that were hard hit in last week's falls, pushing KLM 3.4 per cent or Fl 2.20 higher to Fl 67. Gist-Brocades rose slightly, putting on 30 cents to Fl 58.30 despite posting a fall in first-half earnings.

Abold posted strong gains ahead of its second-quarter results, rising 4.8 per cent or Fl 2.40 to Fl 52.60.

STOCKHOLM rose as the stronger dollar and firmness on other European markets helped it recover some of the losses of the past week. The general index rose 40.79 to 3,048.04. Shipping shares attracted attention after Norway's Frontline launched a takeover bid for ICB Shipping. ICB's board rejected the bid and recommended shareholders hold on to their stock. ICB rose Skr10 to Skr110.

MILAN followed neighbouring markets higher, led up by gains in some of the stocks that posted the sharpest losses last week. The Comit index added 13.57 to 892.77.

Olivetti picked up L18.3 to L728.5 on reports that it was discussing the possible sale of its large compnter systems and services subsidiary, Olsy, to Wang Laboratories of the US.

Written and edited by Michael Morgan and Greta Steyn

FTSE Actuaries Share Indices — European series

September 1

National & Regional Markets	Ecu Index	Day's %	change points	Yield gross %	xd adj	Total retn (Ecu)
FTSE Eurotop 300	933.08	+1.69	+15.49	2.43	0.20	935.54
FTSE Eurotop 100	2168.62	+1.58	+33.28	–	–	–
FTSE Eurotop 300 Regions						
300 UK	951.42	+1.90	+17.73	3.42	0.06	957.35
300 Ex-UK	923.25	+1.56	+14.22	1.86	0.28	923.80
300 Eurobloc	923.32	+1.68	+15.26	2.04	0.42	924.16
300 Ex-Eurobloc	940.91	+1.89	+13.58	2.71	0.04	944.57
FTSE Eurotop 300 Economic Groups						
Resources	968.12	+2.42	+22.89	2.85	0.00	969.80
General Industries	951.29	+1.88	+15.53	2.07	0.00	951.90
Consumer Goods	899.90	+1.87	+16.52	2.06	0.00	902.00
Services	938.99	+1.78	+16.41	2.37	0.18	940.89
Utilities	934.50	+0.85	+7.86	3.37	0.66	940.14
Financials	928.83	+1.58	+14.23	2.49	0.41	932.10

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MARKETS IN PERSPECTIVE

	% change in local currency † 1 Week	4 Weeks	1 Year	Start of 1997	% change sterling † Start of 1997	% change in US $ † Start of 1997
Austria	+0.30	-8.10	+29.77	+16.73	+7.16	+1.58
Belgium	-1.66	-8.32	+33.08	+21.17	+9.28	+3.58
Denmark	-3.72	-6.69	+42.58	+25.36	+13.85	+7.90
Finland	-3.94	-9.36	+61.15	+36.53	+22.50	+16.10
France	-4.20	-8.62	+38.09	+18.53	+7.19	+1.59
Germany	-4.35	-11.01	+47.99	+32.29	+16.49	+13.25
Ireland	-0.49	-3.39	+38.17	+27.20	+17.92	+11.76
Italy	+0.48	-3.47	+51.48	+37.50	+25.28	+16.74
Netherlands	-4.84	-10.88	+57.13	+34.79	+21.40	+15.06
Norway	+0.35	-1.38	+46.89	+27.85	+15.56	+9.53
Spain	-1.58	-2.97	+65.60	+29.08	+16.52	+10.44
Sweden	-3.29	-5.63	+55.67	+29.99	+16.26	+13.05
Switzerland	-4.65	-10.92	+41.07	+32.43	+26.43	+19.82
UK	-1.69	-1.13	+20.47	+14.64	+14.64	+8.85
EUROPE	-2.87	-6.01	+36.93	+23.82	+16.78	+10.68
Australia	-1.53	-5.62	+16.64	+8.65	+6.00	+0.46
Hong Kong	-8.43	-12.74	+13.37	-2.88	+2.29	-3.05
Indonesia	-14.60	-32.23	-10.23	-25.07	-36.69	-39.99
Japan	-1.93	-5.47	-6.69	-1.38	+0.42	-4.82
Malaysia	-15.15	-24.16	-32.47	-39.02	-44.27	-47.18
New Zealand	-1.35	-5.04	+9.74	+5.21	+0.43	-4.82
Philippines	-16.82	-23.53	-38.94	-39.72	-44.98	-47.85
Singapore	-11.15	-17.75	-19.88	-22.88	-24.74	-28.68
Thailand	-14.97	-30.16	-63.91	-45.71	-57.05	-59.29
Canada	-1.76	-3.98	+31.54	+12.99	+17.69	+11.54
USA	-2.33	-4.73	+36.61	+21.35	+28.03	+21.35
Brazil	-3.95	-12.12	+53.71	+41.59	+42.15	+34.73
Mexico	-7.39	-8.67	+34.33	+34.81	+43.94	+36.42
South Africa	-0.22	-3.46	+4.05	+6.33	+11.86	+6.02
WORLD INDEX	-2.69	-5.68	+25.33	+15.78	+17.50	+11.36

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Sao Paulo pares losses

SAO PAULO pared some of its losses at midsession, but still remained 4.2 per cent down on worries about the stability of Asian markets.

The Bovespa index lost 446 at 10,164, but up from a low of 9,921. Weak volume of R$248.4m reflected the absence of US participants. Brokers said some local funds were sellers in anticipation that overseas investors would reduce portfolios today to cover losses in Asia.

SOUTH AFRICA

South African sbares fell sharply as the market reacted to Wall Street's fall on Friday and the continued sell-off on Asian markets.

The all-share index dropped 51.5 to 7,255.5, the industrial index 45.6 to 8,935.7 and the gold index 9.8 to 1,006.4.

The financial index lost 186.3 to 9,871.6. Standard Bank ending down R5.00 at R205.00.

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FTSE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The indices are compiled by FTSE International and Standard & Poor's in conjunction with the Faculty of Actuaries and the Institute of Actuaries. NatWest Securities Ltd. was a co-founder of the indices.

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	FRIDAY AUGUST 29 1997 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	THURSDAY AUGUST 28 1997 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (76)	222.93	-2.0	203.79	169.51	208.64	201.89	-1.8	3.81	227.56	208.89	170.42	212.31	205.48	243.87	200.17	205.99
Austria (25)	192.92	-1.3	176.36	146.69	180.56	180.47	-1.1	1.83	195.48	179.45	148.40	182.56	182.49	206.00	174.70	180.82
Belgium (28)	235.83	0.1	215.59	179.32	220.71	216.12	0.3	3.19	235.59	216.27	178.45	220.02	215.49	261.11	213.92	215.96
Brazil (30)	255.55	-5.8	233.61	194.31	239.18	513.66	-5.8	1.49	271.50	249.24	203.35	253.56	545.39	322.44	177.95	178.61
Canada (126)	211.75	-0.5	193.57	161.01	198.18	212.80	-0.5	1.75	212.89	195.44	159.45	198.83	213.94	224.03	182.51	183.56
Denmark (32)	379.78	-2.7	347.18	288.77	355.44	354.06	-2.5	1.55	390.35	358.34	292.35	364.55	363.10	421.25	317.47	319.07
Finland (28)	285.19	-2.3	260.71	216.85	266.91	324.40	-1.6	1.70	291.94	268.00	218.65	272.65	330.33	314.06	205.98	214.22
France (83)	217.48	-2.2	198.81	165.36	203.54	206.92	-1.9	2.55	222.30	204.07	166.49	207.61	210.83	237.57	187.42	188.37
Germany (59)	215.15	-1.8	196.69	163.60	201.37	201.37	-1.8	1.42	219.13	201.16	164.12	204.65	204.65	236.42	172.93	176.83
Hong Kong, China (66)	491.56	-5.0	449.38	373.78	460.07	489.05	-5.0	3.17	517.63	475.19	387.69	483.43	514.84	590.03	421.41	434.57
Indonesia (27)	136.93	-6.8	125.18	104.12	128.15	247.81	-7.8	2.62	146.62	134.60	109.82	136.94	268.95	254.90	136.93	192.10
Ireland (17)	367.53	-0.8	335.98	279.48	343.97	348.21	-0.9	2.80	369.77	339.45	276.94	345.34	351.22	376.18	286.62	288.69
Italy (53)	99.14	1.1	90.63	75.38	92.78	130.36	1.3	1.82	98.07	90.03	73.45	91.59	128.65	105.79	73.28	76.13
Japan (485)	122.85	-2.2	112.30	93.41	114.97	93.41	-0.7	0.85	125.65	115.35	94.11	117.35	94.11	147.81	107.57	144.54
Malaysia (107)	318.61	-2.0	291.26	242.26	298.19	357.76	-1.8	1.95	325.09	298.44	243.48	303.61	363.66	660.85	318.61	551.49
Mexico (27)	1664.13	-2.9	1521.28	1265.35	1557.46	14153.68	-2.8	1.58	1713.93	1573.41	1283.66	1600.68	14560.35	1884.35	1136.59	1281.74
Netherlands (19)	386.77	-1.1	353.67	294.09	361.96	357.73	-1.0	2.23	391.15	359.08	292.95	365.30	361.24	431.66	297.04	300.62
New Zealand (14)	87.35	-2.0	79.85	66.42	81.75	72.56	-1.4	4.20	89.14	81.83	66.76	83.25	73.55	96.47	63.03	86.31
Norway (41)	323.71	0.6	295.92	246.14	302.96	327.50	0.9	1.88	321.83	295.44	241.04	300.58	324.62	330.72	248.20	250.58
Philippines (22)	106.18	-3.8	97.07	80.74	99.38	160.88	-3.4	1.29	110.41	101.36	82.69	103.12	166.58	214.07	106.19	205.19
Singapore (42)	299.45	-3.3	273.75	227.69	280.26	208.72	-4.0	1.51	309.64	284.25	231.91	289.18	217.46	448.01	299.45	401.64
South Africa (44)	337.69	-0.8	308.81	256.69	315.95	346.17	-1.0	2.48	340.25	312.35	254.83	317.77	349.55	370.12	301.46	337.70
Spain (33)	242.75	-0.5	221.91	184.58	227.16	279.58	-0.3	2.37	243.92	223.92	182.69	227.80	280.60	276.05	173.01	177.66
Sweden (49)	476.96	-1.2	436.02	362.66	446.39	554.35	-0.8	1.86	482.61	443.04	361.45	450.72	558.90	512.39	358.30	363.19
Switzerland (33)	285.85	-0.2	261.31	217.35	267.53	263.01	-0.1	1.27	286.38	262.91	214.49	267.46	263.38	329.59	231.89	251.24
Thailand (42)	39.00	-4.5	35.65	29.65	36.50	51.76	-4.1	5.67	40.85	37.50	30.59	38.15	53.94	148.69	39.00	146.02
United Kingdom (213)	307.66	-0.1	281.25	233.93	287.93	281.25	-0.8	3.54	308.13	282.87	230.77	287.77	282.97	325.29	244.64	245.26
USA (636)	366.27	-0.4	334.83	278.50	342.79	366.27	-0.4	1.69	367.81	337.47	275.39	343.32	367.81	389.67	264.75	268.11
Americas (919)	334.49	-0.5	305.77	254.33	313.04	281.77	-0.5	1.65	336.06	308.50	251.69	313.85	283.08	356.35	242.47	245.45
Europe (713)	265.25	-0.7	242.48	201.68	248.24	253.18	-0.8	2.52	267.23	245.32	200.14	249.57	255.11	284.44	212.81	215.24
Nordic (150)	407.43	-1.4	372.46	309.80	381.32	414.64	-1.0	1.79	413.14	379.27	309.42	385.84	418.64	437.86	310.57	314.87
Pacific Basin (881)	137.61	-2.6	125.80	104.63	128.79	105.58	-1.4	1.38	141.22	129.64	105.77	131.89	107.03	162.15	127.18	158.76
Euro-Pacific (1594)	190.88	-1.5	174.50	145.14	178.65	160.98	-1.0	2.04	193.82	177.93	145.16	181.01	162.67	209.12	173.56	182.18
North America (762)	356.69	-0.4	326.07	271.22	333.83	356.06	-0.4	1.69	358.03	328.68	268.15	334.37	357.38	379.38	258.56	261.75
Europe Ex. UK (500)	236.79	-1.1	216.46	180.05	221.61	231.82	-0.9	1.92	239.38	219.75	179.28	223.56	233.87	256.73	191.01	194.18
Pacific Ex. Japan (396)	267.65	-3.6	244.68	203.51	250.50	245.15	-3.5	3.12	277.70	254.93	207.98	259.35	254.11	320.65	267.65	287.15
World Ex. US (1821)	194.95	-1.5	178.21	148.23	182.45	167.70	-1.1	2.02	197.97	181.74	148.27	184.89	169.54	212.89	176.94	183.62
World Ex. UK (2244)	244.24	-1.1	223.28	185.71	228.59	216.06	-0.8	1.67	246.86	226.62	184.89	230.55	220.73	262.89	204.12	206.38
World Ex. Japan (1972)	314.27	-0.7	287.29	238.96	294.13	307.76	-0.7	2.04	316.61	290.65	237.13	295.69	310.07	334.83	242.70	245.03
The World Index (2457)	249.69	-1.0	228.25	189.85	233.68	224.79	-0.7	1.86	252.12	231.45	188.83	235.46	228.47	267.21	207.64	209.73

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